

DAILY REPORT

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HK250817 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1013 GMT 24 Sep 86

[Text] Beijing, 24 Sep (ZHONGGUO XINWEN SHE) -- Chinese Vice Premier Tian Jiyun will visit Singapore, Malaysia, the Philippines, and Thailand between 11 and 28 October at the invitation of those countries.

Li Zhaoxing, spokesman for China's Foreign Ministry, announced this at this afternoon's news briefing.

He said that since Prime Minister Lee Kwan Yew visited China in September 1985, Chinese and Singapore officials have more frequently exchanged visits, and the two countries' friendly relations and cooperation have further advanced. Sino-Malaysian relations have also made new progress since Prime Minister Mahathir visited China last November. Since the new government of the Philippines came to power last February, Sino-Philippine friendly relations have continued to develop. During Vice President Laurel's visit to China last June, the two countries extensively exchanged opinions on bilateral relations and international affairs in which both sides had interest. In recent years, China and Thailand have also sent many important governmental and non-governmental delegations to visit each other.

CHOUDHURY WELCOMES PRC'S UN CONTRIBUTION

OW260444 Beijing XINHUA in English 0204 GMT 26 Sep 86

[Text] United Nations, Sept. 25 (XINHUA) -- The president of the 41st Session of the U.N. General Assembly, Humayun Rasheed Choudhury, expressed "his great appreciation" of China's efforts in alleviating U.N. financial difficulties.

The Chinese Government paid last week to the United Nations its withholdings accumulated in the past years in the amount of 4,392,856 U.S. dollars. These contributions were withheld because of the objection by the Chinese Government for the programs the funds were intended for.

In making the payment at this time, according to Ambassador Li Luye, China's permanent representative to the U.N., the Chinese Government intended "solely to help alleviate the financial crisis" of the U.N. and it should not be taken to mean any change in the Chinese Government's "consistent principled position on the issues related to these withholdings."

The assembly president greatly appreciated "the action taken by a permanent member of the Security Council in placing the interests of preserving the United Nations above all other issues, however deeply felt," his spokesman, Keith Beavan, said at the noon briefing today.

The president hoped that Chinese action might be emulated by others who have withheld assessed contributions for similar reasons, and that serious considerations be given by those countries to the overriding immediacy of placing the U.N. on a sound fiscal basis and preserving the integrity of the charter.

According to statistics provided by the U.N., the total amount of withheld contributions up to August 31 this year by the member states for various reasons reached 408 million. [currency not specified]

JINGJI YANJIU ON REAGAN ECONOMIC STRATEGY

HK240801 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 86 pp 25-35

[Article by Huang Fan Zhang [7806 5400 4545]: "An Analysis of the New International Economic Strategy of the Reagan Administration" -- written in Washington in June 1986]

[Text] Since its establishment, the second Reagan administration has initiated a series of international actions and proposals on major international issues. The notably active stance of its foreign economic strategy appears to be somewhat different from that of the first Reagan administration. This is a trend worthy of attention and study in the current international economic area, and it will, beyond doubt, have a great impact on the international economic pattern for some time to come. This paper will attempt a preliminary analysis of the background, major manifestations, and essence of this new trend and offer some views on the effects produced and how we can deal with the situation.

I

The first Reagan administration put the emphasis of its economic policies on the domestic economy. Reagan ran for the presidency in 1980 and formed his cabinet in 1981. At that time, America was entering a very grave "recession" after 15 years of "stagflation." In 1980, the inflation rate was as high as 12.6 percent. Unemployment rose from 7.8 percent in 1980 to 10.8 percent at the end of 1982, the highest in 40 years. The productivity growth rate dropped to below 1 percent in the early 1980's after a prolonged decline and lagged far behind Japan, the FRG, and other major economic partners. Thus, it was only natural that the first Reagan administration concentrated its attention on pressing domestic economic problems like high inflation and unemployment.

The economic strategy of the first Reagan administration has the supply-side theory as an important theoretical basis. The supply school attributed the cause of "stagflation" in the 1970s chiefly to the pursuance of the Keynesian theory and policy since the war. It accused the Keynesians of artificially increasing total demand in their quest for "full employment" by abusing financial and monetary means, which not only undermined the motivation for saving and capital, led to a decline in productivity growth, and weakened the competitiveness of the economy, but resulted in "stagnation" and "inflation" because of overstimulated demand and exacerbated inflation. For this reason, Reagan and his principal aides clamored for an about-face in the economic line, policy, and theory during their campaigning as well as after taking office. They said the weight of economic policy must be shifted from "demand" to "supply" and vigorously pursued the so-called "economic recovery program." For the purpose of encouraging saving and investment, they rigorously introduced tax cuts at the risk of increasing deficits. They put curbing inflation before "full employment" and persevered in enforcing a tightened monetary policy at the risk of exacerbating economic recession and unemployment. They also accorded priority to domestic economic issues, believing that trade deficits should chiefly be resolved by enhancing one's competitiveness, that the devaluation of the dollar was chiefly due to the exacerbation of inflation at home, and that the betterment of its position in external economic dealings chiefly depended on the improvement of its domestic economic situation. Thus, the first Reagan administration mainly concerned itself with the abatement of domestic economic problems and took a "defensive" stance in its external economic dealings. The fact was that America, plagued by high inflation and unemployment, was then not in a position to launch major or influential economic moves in the international arena.

The establishment of the second Reagan administration (1985) coincided with the respective recovery of the U.S. and West European economies. U.S. investment soared as inflation and unemployment steadily declined. Inflation dropped from 4.3 percent in 1984 to 3.6 percent in 1985, while unemployment fell from 7.4 percent in 1984 to 7.1 percent in 1985. Although budget deficits are as high as \$200 billion, high real interest rates are still drawing an inflow of between \$80 billion and 100 billion annually from other countries. The prolonged devaluation of the dollar has given way to appreciation year after year. By and large, the domestic economic situation of the United States has eased off quite a bit. In the meantime, however, the United States is confronted with pressing problems in its external economic relations. The problem of international debt not only jeopardized the interests of U.S. monetary capital but threatened the political stability of its "backyard" (Latin America). The fact that the dollar is 'grossly overvalued' has seriously weakened U.S. exports, and the prevalence of protectionism has exacerbated the conflicts between America and its major partners. Under the circumstances, there is an urgent need for America to strengthen its economic control over the Third World (particularly Latin America). It is also imperative that it readjust its economic relations with its major partners and, in so doing, reinstate its lead in the Western economy which has been weakened since the crumbling of the Bretton System. To realize these strategic objectives, the Reagan administration has turned much of its attention to external economic dealings and eagerly initiated a series of international moves. In September 1985, U.S. Treasury Secretary James Baker engineered the Group of Five into signing the "New York Accord" and working together to intervene in the dollar exchange rate. In October of the same year Baker proposed a "new strategy" to resolve the problem of international debt. In April 1986, America again persuaded Western countries with major currencies to unanimously reduce their interest rates. At the end of May Reagan and Baker convinced the seven Western nations to agree on plans to "coordinate" their macroeconomic policies at the Tokyo Summit. The program was very solidly packed indeed. Without so much as mincing words, Baker said at a meeting of the American Bankers' Association on 3 June: "The course initiated by the New York Accord illustrates one fact: the days when America can relegate considerations of foreign economic relations to a secondary position when formulating domestic policies are gone." [THE WASHINGTON POST, 4 June 1986] so full of enthusiasm was he about the launching of this new economic strategy.

Now let us look at the major manifestations, content, and essence of the U.S. external economic strategy from two aspects, namely, international debt and the international monetary system.

II

According to the latest statistics of the World Bank, foreign debts of developing countries totaled \$950 billion at the end of 1985 and is estimated to increase to 1,010 billion by the end of 1986 (See WORLD BANK DEBT BULLETIN 1986, p 11). These colossal foreign debts share the following features: (1) Private debts owed to private banks of developed countries account for 60 percent while public debts owed to creditor nations or multilateral institutions account for 40 percent. Whereas in the early 1970s private debts only accounted for between 10 to 15 percent. (2) In terms of geographical distribution, Latin America has outstanding debts amounting to \$368 billion, which, together with the debts of Africa (approximately \$130 billion), account for 56 percent of the total amount of foreign debts. The major debtors are Latin America: Brazil has borrowings of over \$100 billion, Mexico more than \$98 billion, and Argentina some \$50 billion. (3) Two-thirds of Latin American loans are from private banks, while most of the debts owed by African countries are government debts. The debt crisis which erupted in the early 1980s mainly took place in these two regions. [paragraph continues]

That is why Baker targeted his "debt strategy" at Latin America and Africa.

Why was it that an international debt crisis erupted in the early 1980's? What effect did it have on America to cause Baker to map out a "strategy" as a countermove and to campaign for it?

The cause of the debt crisis may be viewed from two aspects, internal and external. First, seen from the debtor nations themselves, an important reason was mismanagement of foreign debts. The manifestations were: (1) Foreign debts grew too fast in the 1970s. Statistics showed that in the decade between 1973 and 1982, foreign debts of developing countries grew at an average annual rate of 20.5 percent, greatly exceeding the growth rates of their gross domestic product and exports (see IMF: WORLD ECONOMIC PROSPECTS 1986, p 87). (2) The governments of the debtor countries did not have the necessary statistics on and control over foreign debts. Things got out of hand when they encountered difficulties in making payments. (3) The debt structure was imbalanced. Among the debts of the 15 countries with huge borrowings, short-term debts accounted for as much as 25.3 percent between 1981 and 1982 and debts at variable interest rates accounted for 70.8 percent (Ibid, p 88). Rising interest rates in the late 1970s and early 1980s greatly added to the interest burdens of the debtor countries. For example, in Brazil and Chile, the payment of principal and interest in 1981 amounted to 50 percent of their export earnings in that particular year; in Mexico and Argentina the payment of principal and interest also amounted to 35 percent of their export earnings in that year in Mexico and Argentina the payment of principal and interest also amounted to 35 percent of their export earnings in that year (see Mendelsohn [1322 1795 1422 2773]: "Debts of Foreign Nations" 1984, p. 31). The international acknowledged "safety" standard is 15 percent. Second, seen from external conditions, the development of the world economic crisis, the deterioration of trading conditions, and the soaring interest rates in the international monetary markets played an even more important role in igniting the debt crisis.

The debt crisis first erupted in Mexico in August 1982. The Mexican Government announced that because of dire financial difficulties, it had to temporarily halt the payment of principal and interest due for the 19.5 billion borrowed from 1,400 commercial banks. Subsequently, a number of other countries also announced their payment crises. By spring 1983, as many as 15 countries (mainly Latin American countries) were negotiating with commercial banks on the deferment of payments of principal and interest on loans totaling \$90 billion. This amount accounted for 43 percent of the \$210 billion they still owed the commercial banks (see Delamaide: "Debt Shock," 1984, pp 7-8). The developments of the international debt crisis produced panic among the international financiers. The American bankers and the U.S. Government were particularly worried and concerned. The reason for this was that the debt crisis not only could aggravate political unrest in America's "backyard" but could directly threaten America's own economic interests. First, American commercial banks were the major creditors of the Latin American debtor countries. According to THE ECONOMIST, loans extended by the 10 major U.S. commercial banks, including Chase Manhattan, Citicorp, and Bank of America, to Brazil, Mexico, and Venezuela alone amounted to \$37.5 billion, equivalent to 132 percent of the total equity of these ten banks (THE ECONOMIST, 30 April 1983, pp. 12-13). As sharply pointed out by the author of "Debt Shock": "What is really horrifying is that should Chase Manhattan or Citicorp be dragged down by their debtors, many banks and companies will also crumble as a result of its impact" (see "Debt Shock," p 194). The U.S. magazine SOUTH noted: "A number of leading American banks have lent sums amounting to between 100 and 200 percent of their equity to a few Latin American countries. Should they come up against major arrears in payment in the Third World, it could lead to a classic wave of bank closures." (SOUTH, August 1984, p. 13). Second, as a result of the debt crisis or difficulty, these Latin American countries were forced to cut imports from America. [paragraph continues]

This dealt a serious blow to America and aggravated unemployment in America because this region was a major outlet of American goods. Reports had it that the Latin American debts crisis in 1982 had thrown an additional 160,000 people out of jobs (see "Debt Crisis Injures U.S. Economy," THE WASHINGTON POST, 20 March 1986). No wonder the American press quoted these words of a U.S. Commerce Department official when they brought up the question of "whose crisis is the debt crisis?" "Their debt crisis is really our trade crisis." (Ibid)

It was precisely because America's political and economic interests were so much a stake in the Third World debt crisis that as soon as a payment crisis was reported in Mexico the U.S. Government immediately backed the IMF and the international financiers in their countermeasures. Aside from offering contingency loans (for example, America advanced \$1 billion to Mexico for the purchase of petroleum), arrangements were also made to reschedule debt payments through bilateral or multilateral negotiations. On the other hand, pressure was brought to bear on the debtor countries to implement the conventional economic readjustment policy of the "Fund" organizations (i.e., organizations of the IMF, same below): To reduce demand (by cutting consumption, investment and imports) and slow down expansion as a precondition for securing new loans. These arrangements helped to ease the debt crisis somewhat. During the 1983-85 period, a total of 31 debtor countries had reached agreements with commercial banks on the rescheduling of debts in the amount of \$140 billion. (IMF: WORLD ECONOMIC PROSPECTS 1984, p 92). In particular, some heavily indebted Latin American countries achieved huge trade surpluses during 1983 and 1984 as a result of expanding exports and reducing imports as the United States and Western Europe successively recovered economically and increased their imports. The debt situation was thus further eased. However, as growth slowed down in major industrial countries like the United States and protectionism became prevalent during 1984 and 1985, particularly following the fall in the price of primary goods, exports declined in the developing countries and the problem of debt payments was again exacerbated.

The complicated course of developments of the debt situation from crisis to relaxation to reintensification has brought about a number of new developments in the debt problem and in people's understanding of this problem. 1) In the 15 countries burdened by heavy debts, although the pinch of payment had somewhat eased and the debt structure had improved after years of efforts (with the ratio between short-term loans and export earnings dropping from 68 percent in 1982 to 38 percent in 1985). The ratio of the total debts to export earnings showed an increase from 263 percent in 1982 to 286 percent in 1985. (IMF: WORLD ECONOMIC PROSPECTS p 92) The debt situation is still tough, 2) As a result of the policy of retrenchment, many debtor countries saw a decline in their gross domestic product, investment and consumption level. Statistics show that during the 1980-84 period the gross domestic product of the 17 debt ridden countries (11 in Latin America, 4 in Africa, 1 in Asia, and 1 in Eastern Europe) had a -0.3 percent average annual growth in their gross domestic product, a -9.7 percent annual growth in their investment, and a -1.8 percent annual growth in per capita consumption. (WORLD BANK DEBT BULLETIN p 25) 3) This conventional policy, which places lopsided emphasis on economic "retrenchment," meets with strong opposition from the governments and peoples of debtor countries (particularly in Latin America). The leaders of Peru, Brazil Argentina and other countries have correctly pointed at different times that the fundamental solution to the debt problem lies in promoting economic growth to increase one's repayment ability. The Peruvian president indignantly said: "We cannot let our people pay on any empty stomach." In July 1985 he declared that Peru could at be spare 10 percent of its annual export earnings on the payment of principal and interest. For a while conflicts sharpened between the debtor and creditor countries and between "fund" organizations. Through struggle and compromise, a near consensus was reached: The fundamental solution of the debt problem cannot be guaranteed without the debtor countries achieving their economic growth, and economic readjustment should be made with a view to promoting economic growth. [paragraph continues]

Mr De Larosiere, president of the fund, emphasized this in his report to the IMF Annual Conference held in Seoul in 1985. This reflects a better understanding of the debt problem by the international community. 4) In recent years, the parties concerned with the debt problem have also achieved a more unanimous understanding on the following points: The debt crisis was caused not just by the implementation of improper policies and mismanagement on the part of the debtor countries, but also by the adverse international economic environment (deteriorating trade conditions, protectionism, rise in real interest rates, price fluctuations in the international market, and so on). The solution of the debt problem depends not on the unilateral efforts of the debtor countries, but also on the cooperation of the international financiers, creditor countries and international monetary organizations to create a favorable international economic environment. In fact, since the outbreak of the debt crisis, the credibility of the debtor countries has dwindled and loans offered by the creditor countries and international banks have seen major cutbacks in recent years, coming to a near break in 1985. As a result, some developing countries have nowhere to turn for financing. This is because the economic and political interests of America and other creditor countries and world banking will stand to lose so much in a new debt crisis. This makes it that much more imperative for the parties concerned to work together to mitigate the debt problem. The so-called "Baker debt strategy" (or "Baker Plan" has already gone through a course of development since its inception. As seen at this stage, it is made up of at least two parts: 1) The so-called "support growth program" catered to the 15 debt-ridden middle income countries (mainly Latin American countries). Its main function is threefold: These countries will be assisted in adopting extensive macroeconomic economic policies and structural readjustment policies to promote their economic growth and balance of payments; the IMF, World Bank and other international financial institutions will offer funding in support of their implementation of effective restructuring programs, and the World Bank and other international bodies will offer an addition \$9 billion in loans on top of the planned amount (\$11 billion) in the next three years; and private banks will be mobilized to increase their loans by \$20 billion in the next three years. In the course of discussion, every party saw the need for the governments concerned to play an active part. This is in fact a "program" which is chiefly funded by commercial banks, with international bodies and the governments concerned providing unofficial international "assurance," and is designed to mitigate the debt problem. The U.S. Government, however, has not taken a single cent out of its coffers. Baker only verbally pledged that if the "plan" has the support from various parties concerned, the U.S. government will then be able to ask Congress for funding. 2) The so-called "restructuring fund" program is intended for the major low-income debtor countries (mainly African countries). Its central idea is to set up the "program" with the \$2.7 billion recouped by special drawing rights from the original "credit fund," but this can be used together with corresponding amounts of preferential loans (TDA) from the World Bank. The borrowing terms are the same as that of the original credit fund. The borrowing country must carry out "restructuring" under the joint supervision of the "fund" and the World Bank to promote their own economic growth. Through these two "programs," the U.S. Government hopes to see the mitigation of the debt problem first in Latin America and Africa and then in the whole world.

The "Baker Plan" has the following characteristics: 1) It emphasizes the need for the debtor countries to take the promotion of economic growth as the primary objective of their economic readjustment programs. 2) It emphasizes the need for the debtor countries, creditor countries, international financial institutions, and private institutions to work together to tackle the debt problem. [paragraph continues]

The above two points reflect a better understanding of the debt problem by the international community in recent years; it is also the result of a prolonged struggle by the developing countries. 3) It emphasizes the need for the debtor countries to take "restructuring" as the intermediate and long-term objective of their readjustment programs, and highlights the need for this "restructuring" to cater to the "market economy" and to pursue a policy of "liberalization" in internal as well as external economic dealings. 4) The loan terms tend to be stricter than before and the "favorable" nature of loans originally granted on favorable terms gradually loses its flavor.

The above characteristics show the complicated nature of the "Baker Plan." On the one hand, to ensure proper repayment ability on the part of the debtor countries, the "Baker Plan" cannot but reflect to some extent the demands of these countries for economic growth and for the provision of some sort of financing. In this sense, the debtor countries may make use of this "plan." On the other hand, this "plan" is essentially a means by which international financial capital headed by the United States strengthens control over the Third World, and thus clashes with the debtor countries are likely to occur on some fundamental points. For example, while the "plan" appears to be one view with the developing countries in emphasizing "economic growth," inherent differences of a fundamental nature are still present: 1) Economic development in the developing countries calls for the restructuring of their unitary economic system, whereas under the "Baker Plan" economic development is backed by a "structural readjustment" which has the market economy as its blueprint and privatizes all public enterprises. 2) The debtor countries want the United States and other industrial nations to open their market so they can expand their exports to these countries and hence increase their repayment ability, but what the "plan" primarily wants is for the debtor countries to liberalize their trade in the course of "structural readjustment" and open their markets to the dumping of goods by the United States and other industrial countries. Thus, although the "plan" may be turned to good accounts by the developing countries under given conditions, the entire process is bound to be replete with conflicts and struggles between efforts to control and efforts to fight control.

To what extent, then, can the "Baker Plan" "solve" the debt problems of Latin America and Africa? 1) After Baker proposed his "plan" for easing the Latin American debt problem, the governments and banks in the Western world expressed enthusiastic support. When it came to raising the \$20 billion for the loan program, however, the commercial banks took a wait-and-see attitude. The key of the issue is money. Without the active participation of commercial banks, Baker's "plan" in regard to Latin American debts is bound to fall through. This possibility does exist. On the other hand, even if the commercial banks managed to raise the \$20 billion as pledged and the World Bank and other bodies were able to add \$9 billion to the \$11 billion already planned for, the total usable funds made possible by this "plan" will amount to no more than \$40 billion over three years, or about \$13 billion a year, which is only about one-third the total (\$45 billion) paid by the 15 major debtor countries to the commercial banks in interest payment. ("Baker's Plan Won't Work," FORTUNE, 23 December 1985) The remaining two-thirds of their interest payment come from their export earnings. As noted by FORTUNE, the so-called "Baker Plan" is at best a means by which the 15 debt-ridden countries "raise new loans to pay interest on previous loans and will get them more tangled up in debts with the creditor countries." (Ibid) 2. As to the "restructuring fund" program which is mainly intended for Africa, even if all the necessary funds could be raised, all that the low-income countries could expect to receive in their new loans will be special drawing rights for between \$1.5 billion and \$2 billion. This amount, too, is only equivalent to interest payments on previous loans. In short, as far as the debtor countries are concerned, the actual significance of the "Baker Plan" is that it helps them with their interest payments, but this has to be done at the cost of taking on extra debt burdens and stricter loan terms. [paragraph continues]

To the American financial capitalists, the importance of the "Baker Plan" is that it injects vitality into financial capital in these areas. The life of capital lies in movement. As long as interest payments are sustained, the life of financial capital goes on. It will then be able to strengthen control and influence over the politics and economy of these areas. This is why the "Baker Plan" has the full support of the Reagan administration. As to how far the "structural readjustment" program, which comes hand in hand with the "Baker Plan," can succeed in promoting the healthy economic development of those debtor countries, we are not prepared to discuss it as yet because it takes a fairly long time to observe the results.

III

Intervention in the exchange rate and advocacy to reform the existing monetary system constitute the second international move proposed by the second Reagan administration in the international economic arena.

Since the collapse of the "double-pegged" fixed exchange rate system endorsed by the Bretton Conference in 1973, the floating exchange rate system has been favored by major currency countries headed by the United States. Although the floating exchange rate system has subsequently brought about many violent fluctuations in the international financial market, the U.S. Government has always stood firm on this system, because under this system they can make use of inflation and the devaluation of the dollar to improve their own trade position and reduce debt burden. During its first term of office, the Reagan administration, naturally, scrupulously abided by the free flotation of exchange rates because of its severe conservative inclinations. Why, then, does the second Reagan administration appoint Baker to study reform of the existing international monetary system and repeatedly urge major currency countries to work together to "intervene" in exchange and discount rates? An important reason is that since 1981, the value of the dollar has gone up by as much as 40 percent in 4 years after being undervalued for a long time. The prolonged appreciation and overvaluation of the dollar has brought political and economic advantages to America, but has seriously weakened the competitiveness of American goods and hit American exports. As a result of this, its international payments current account reverted to successive years of deficits in 1982 after registering surpluses (of \$1.9 billion and \$6.3 billion respectively) in 1980 and 1981. Deficits increased from \$8.1 billion in 1982 to \$46 billion in 1983, \$107.4 billion in 1984, and \$117.7 billion in 1985 (accounting for 2.8 percent of the GNP in 1985). (IMF: "SHIJIE JINGJI ZHANWANG," [WORLD ECONOMIC PROSPECTS] p 212) This contrasts sharply with its major trading partner Japan which is making surpluses year after year (in 1985 surpluses amounted to \$50 billion, which makes up 3.7 percent of its GNP). (Ibid. p 40) This makes it imperative for the authorities to face serious drawbacks in the existing international monetary system and seek ways to devalue the dollar. Thus, at the initiation and insistence of the United States, the Group of Five treasury secretaries decided in New York to work together to intervene in the dollar exchange rate. Between September 1985 and May 1986, the exchange rate of the dollar to yen dropped by 30 percent.

The change in the Reagan administration's stance on the international monetary system issues from opposition to market intervention to advocating government intervention is indeed an important strategic change. This change has led to a series of changes in theory, system and policy.

1) The Reagan administration's monetary policy has always been influenced chiefly by monetarism, and the basic philosophy of modern monetarism is a belief that the market economy can be regulated by its own mechanism. [paragraph continues]

Professor Friedmann, the leading future in modern monetarism, is also a champion of the floating exchange rate system. The result of long years of practice, however, shows that the floatation of exchange rates has brought about overvaluation of the dollar and an imbalance in the international monetary system. This imbalance can no longer be regulated by the market force itself and government intervention has to be sought on an international scale. Some American press described this "change" on the part of the Reagan administration as a change from the former "monetarist" stand to Baker's "pragmatist" stand. (THE WASHINGTON POST, 11 May 1986) no matter how one puts it, this is still a real blow to the basic monetarism philosophy.

2) Along with this change, the United States in recent years also began to admit that serious pitfalls exist in the present international monetary system and the need exists to seriously consider a demand put forward by many countries to reform the existing system. The question is: How?

For years the international community has had a serious divergence over the question of the reform of the existing monetary system. France has always advocated the replacement of the present "floating exchange rate" system with the "target zone" system (also known as the "reference zone" system). The so-called "target zone" involves allowing the exchange rate to fluctuate within a given zone; the upper and lower limits of the zone are fixed and used as indicators for intervention or regulation. They believe that this system not only ensures the basic stability of exchange rates and allows fluctuation within a given range, but can promote macroeconomic supervision and policy coordination between the major currency countries. France obviously hopes that this will change the situation where, under the "floating exchange rate" system as practiced in the past, the world financial market was, to a large extent, controlled by dollar fluctuations. Many developing countries also support the "target zone" system, as they think that exchange rate fluctuations brought about by the floating exchange rate system often cause them to suffer severe losses. However, Japan, Britain and the FRG resolutely oppose the idea of the "target zone." The reason they give is that it is very difficult to fix a range within which exchange rates are allowed to fluctuate, and it is not practical to set the range too wide, or too narrow for that matter. They are doing all they can to defend the existing floating exchange rate system, saying that even though it has "inadequacies," they can be remedied. The United States, on the other hand, wants to combine the "floating exchange rate system" with the pre-1973 fixed exchange rate system to form a so-called "managed floatation" system. Under this system, exchange rates can float, but there are also some constraints. According to reports, it was this "managed floatation" system which was peddled by Baker and eventually accepted by the participating countries at the 7-Nation Summit held in Tokyo in May this year. ("The Aim of Baker's Tokyo Initiative Is To Institute 'Managed Floatation'," -- THE WASHINGTON POST, 11 May 1986)

U.S. officials admitted that although Baker's "managed floatation" system is quite similar to the "target zone" system advocated by France, there are also differences. it is said that differences are as follows: Under the "target zone" system, if the country's currency exchange rate departs from the range, other partners could compel it to take "remedial" measures, and the government of that country is also duty-bound to "prevent" this departure beforehand or make "remedy" afterwards. Under the "managed floatation" system, however, no "zone" is fixed for any exchange rate and forecasts alone are made on possible changes. If the exchange rate departs from forecasted targets, all that needs to be done is to give an explanation. While it is true that the governments concerned may be advised to take "remedial" measures, it is not as "mandatory" as under the "target zone" system. (Ibid) However, according to a U.S. official close to Baker, this "managed floatation" system is in essence the "target zone" system. [paragraph continues]

He said that although some Western countries are opposed to the "target zone" system, when treasury secretaries gathered for a meeting, they would invariably discuss why and how their respective currencies could not be above or below this or that level, and what they were talking about was actually the "target zone" system. (COMMERCE WEEKLY, 28 April 1986, p. 73). Perhaps we could say that Baker's "managed flotation" system is a softened "target zone" system. The most important point is that it replaces the free flotation of exchange rates with "collective intervention" by the major Western currency countries.

3. "Managed flotation" relies on "collective intervention" by the major currency countries for its implementation and is different from "free flotation" which relies on spontaneous market forces.

What to "monitor"? At Baker's initiative, the recent Tokyo Summit agreed that the seven nations (particularly the major currency countries) should "monitor" one another's exchange rate, economic growth rate, inflation rate, interest rate, unemployment rate, deficits, foreign trade balances, monetary growth rate, and reserves. Why the need to carry out more extensive macroeconomic monitoring? Because people have come to understand, through discussion in recent years, that exchange rate variations are comprehensive manifestations of macroeconomic activities. Hence it is not sufficient just to monitor the exchange rate indicator, and the "monitoring" of a series of major macroeconomic indicators is necessary. The relevant resolution from the Tokyo Summit reflected this understanding.

The Tokyo Summit has reached the following agreements. Each year, the seven nations will plan their respective targets for the above-mentioned macroeconomic indicators in accordance with their own economic conditions. For coordination, they will meet once every 3 or 4 months to discuss the world economic situation and to see if economic development in various countries has departed from the agreed stable growth path. If it is discovered that a particular country has departed from this course, it may be asked to explain the circumstances or advised to take remedial measures. However, no member-state will be compelled to accept that which it does not want to accept, and sovereignty will be strictly respected. Actually, to judge from the situation at the Tokyo Summit, American views and interests play a dominant role. All these "monitoring" and "coordination" meetings are confidential. Although the president of the "fund" will sometimes be invited to attend these meetings as an observer, all these activities are, by and large, conducted by the heads-of-state or treasury secretaries of the seven nations outside the "fund."

At this point it is necessary to analyze the changing American attitudes on the question of macroeconomic monitoring and policy coordination, to see the essence and purpose of the Reagan administration's external economic strategy. For quite some time, the stability and development of the world economy has been seriously impaired by violent fluctuations of major currencies (particularly the dollar) in the international financial market. Many countries, particularly the developing countries, chiefly blame exchange rate fluctuations on the macroeconomic imbalance of major currency countries, and think that international action should be taken to monitor the macroeconomy and policies of these countries. On the problem of debts, the vast numbers of developing countries believe that, apart from internal reasons such as improper policies and mismanagement of borrowings on the part of the debtor countries, the worsening of external conditions (such as the world economic crisis, deterioration in trade conditions, price fluctuations and world market exchange rates, and the prevalence of protectionism) is also an important cause of debt problem intensification. They think that the industrial nations have an unshirkable responsibility for this state of affairs. [paragraph continues]

Thus, in all previous international conferences, the developing countries have always voiced strong opposition against the "nonreciprocal nature" of international monitoring, saying that it is unfair to only monitor the developing countries (meaning the debtor countries) but not the major industrial nations and major currency countries. They emphasized that international monitoring must be "reciprocal." America and the other major industrial nations refused to be monitored by any party (be it the developing countries or the "Fund") and simply ignored the developing countries' demand for "reciprocal monitoring." In recent years, the Americans have changed their attitude. They talked glibly about "reciprocal" monitoring, although their emphasis on the question of the international monetary system was mutual monitoring and coordination among major currency countries. They also made a special point of taking "reciprocity" as a criterion for improved exchange rate control, and asked countries with deficits and those with surpluses to carry out "monitoring," "coordination" and economic readjustment "in a reciprocal way." In this, they have directed their spearhead at Japan and the FRG, the two countries with the biggest surpluses. Thus, the "reciprocal" monitoring and readjustment clamored for by the Americans is something quite different from the principle of "reciprocity" demanded by the developing countries. Their main aim is to make their partners accept U.S. "monitoring" and to submit to U.S. interests through so-called measures of "coordination." According to foreign correspondents, the Americans were overbearing during the Tokyo Summit and American interests played a dominant role when it became necessary for different nations to compromise their interests. It is not difficult to see that the Americans were trying to use so-called "monitoring" and "coordination" as their means of easing the plight of dollar overvaluation and excessive trade deficits, and restoring their leadership in the Western economy which has been greatly weakened in the last decade or so. The U.S. WASHINGTON POST said without mincing words: "The New York and Tokyo Accords show two points: First, America has the intention of restoring its lead in the international economy; second, the western countries have the ability to work together in harmony for an international goal." ("The Aim of Baker's Tokyo Initiative is to Institute 'Managed Flotation,'" THE WASHINGTON POST, 11 May 1986) The British FINANCIAL TIMES also said: The Americans tried to use monitoring and coordination as a means of easing the debt problem and the problem of the overvaluation of the dollar and thus move "toward a new world order." (FINANCIAL TIMES, 22 May 1986) But it can be imagined that in the course of moving "toward a new world order" the United States and its major economic partners will not be working in "harmony" but will be working amidst the conflicts of interests.

Baker's "lending programs," the New York and Tokyo Accords, and other major international actions discussed above, all fully illustrate the great initiative of the present Reagan administration's external economic strategy. In what other areas, then, will the Reagan administration be likely to take major international actions? As I see it, to reduce trade deficits, the Reagan administration is likely to take actions in at least the following two areas: (1) To enlarge exports, it will oppose protectionism on the part of its major partners. It has already proposed a new round of trade talks. It is expected that at the forthcoming meeting of treasury secretaries in September, the Americans are likely to table certain so-called "anti-protectionism" motions and strive to reach a number of agreements. The problem is, since the Americans themselves have adopted more than a few protectionist measures, it will not be very convincing when they begin to denounce others for practicing protectionism. However, the Reagan administration may use some of its protectionist measures as chips when bargaining with its major partners. (2) Since the end of last year, the U.S. Government has slowed down the country's growth rate to reduce budget deficits. On the other hand, it has been urging Japan and the FRG to accelerate their economic growth rate and play the role of the "locomotive" in spurring on economic growth in the West. [paragraph continues]

In point of fact, what they want to do is to persuade their major partners to increase their imports from the United States and, in so doing, ease the problem of the so-called "imbalance in the world" between "countries with surpluses" and "countries with deficits." This United States' request has always met opposition from Japan and the FRG because the latter two countries are afraid that this may lead to higher inflation. Although Reagan and Baker were unable to impose their will on Japan and the FRG during the Tokyo Summit, shortly after the summit, President Reagan made it clear, in a speech delivered toward the end of May, that after the problem of dollar overvaluation has basically been corrected, the U.S. Government will direct its attention to the problem of "imbalance in the world." (Fleming: "Reagan Says Dollar Fall Has Begun To Correct Trade Deficit," FINANCIAL TIMES, Britain, 30 May 1986) In answer to the proposal put forward by the president of the Federal Bank of Germany that the dollar exchange rate be kept stable for at least 6 months, Baker said at a meeting of the American Bankers' Association on 3 June, that unless Japan, the FRG, and other countries speed up their economic growth to check the worldwide trade imbalance, "the United States will still have to resort to the dollar exchange rate." (THE WASHINGTON POST, 4 June 1986) In fact, America's huge trade deficit cannot be eliminated by lowering the exchange rate. Baker's intention was no more than to blackmail countries like Japan and the FRG into speeding up their economic growth and enlarging their imports of American goods. We should watch out for possible steps taken by America to force Japan and the FRG into speeding up their economic growth.

In short, as seen from the series of activities it has engineered in recent years, the external economic strategy of the Reagan administration covers at least two aspects. First through the so-called "lending programs," it seeks to mobilize all forces to help ease the interest payment problem confronting the debtor countries in Latin America and Africa to strengthen its economic control and political influence over these areas. Second, while striving to solve the present problem of exchange rate and trade imbalances, it seeks to gradually establish among the major industrial nations a system of macroeconomic "monitoring" and "policy coordination" with America playing the dominant role to strengthen America's leadership in the Western economy. This strategy no doubts reflects the fundamental interests and pressing desire of the U.S. monopoly capitalist groups. How far this strategy can succeed depends on the development of the world economic situation and the conflicts and struggles among countries.

IV

Based on the above preliminary analysis of the external economic strategy of the Reagan administration, this paper will attempt to present some of my personal views on the new situation brought about by this strategy and the countermeasures we should take.

1. Generally speaking, since "Baker's lending programs" seek to mobilize various parties concerned to help relieve the difficulties confronting Latin America and Africa in interest payments, and since the major currency countries headed by America have accepted the so-called "managed flotation" system and carried out "monitoring" and "coordination" in respect to macroeconomic indicators, the debt situation and the dollar exchange rate in the financial market are likely, on the whole, to stabilize within a short time (within 6 months to 1 year).

However, insofar as the debt situation is concerned, the "stability" brought about by the "Baker Plan" will be very fragile. First, its source of funding is weak. Lending funds going to the 15 middle-income countries can cover only one-third of the annual interest payments and the major part of the interest payments must still come from the export earnings and other income of these countries. Second, the export earnings of these countries are conditioned by many external factors of uncertainty. [paragraph continues]

Once their export earnings suffer serious cutbacks, even the "Baker Plan" will have difficulty guaranteeing these countries' interest payments. At present, Mexico is losing 30 percent of its export earnings and 25 percent of its tax revenue because of the drop in oil prices (petroleum sales constitute 70 percent of its export earnings), and has to raise between \$50 billion and \$60 billion in loans to pay this year's interest. If "Baker's lending programs" are adopted, Mexico alone will have used up half of the usable funds for the current year. Mexico is now painstakingly engaged in negotiations with the IMF and commercial banks. If these negotiations fall through, it is possible that Mexico will ignite another Latin American debt crisis within the year. Lately the Americans have stepped up lobbying activities. President Reagan openly pledged support to the Mexicans, noting how closely the interests of the two countries are tied together. (Rowe: "Reagan Pledges U.S. Support to Mexico," THE WASHINGTON POST, 5 June 1986) Federal Reserve Chairman Volcker paid a private visit to Mexico; Baker also said "We are actively working on it and believe that the situation in Mexico will stabilize." (Ibid) It is reckoned that through the efforts of the United States, the "fund," and other parties, this debt crisis can be avoided. Even so, if no improvement is made in the export situation in the developing countries, reimbursement difficulties can still occur any time. Last but not least, the "Baker lending program" is still in its planning stage. If the commercial banks do not undertake to provide the \$20 billion, the "Baker Plan" itself will be put in a tight spot, and the development of the international debt situation will be too ghastly to contemplate.

Whether the major currency exchange rates will stabilize in the near future depends, to a large extent, on whether the dollar exchange rate will stabilize in the near future. In the past the dollar was overvalued by 40 percent against the Japanese yen. Since September last year, the dollar has dropped by 30 percent. It appears that overvaluation has by and large been a thing of the past. The concern now is whether the dollar will continue to fall. Baker hopes to see a further drop to boost American exports, but is tight-lipped about the bottom line he has in mind. As I see it, even if the dollar drops further, the drop will be quite small because the continuous devaluation of the dollar is not favorable to the United States. The resulting inflation will produce pressure at home, increase people's anticipation of inflation, make interest rate cuts imperative, and reduce the inflow of foreign capital. At present, the annual inflow of scores of billions of dollars from abroad is precisely what the United States needs to maintain its economic stability and growth under conditions of huge deficits. The further drop of the dollar can produce little affect in reducing the U.S. trade deficit but will prove costly in other respects. Besides, the Japanese authorities have already declared that they are prepared to react to a further drop of the dollar. Federal Reserve Chairman Volcker opposed the further drop of the dollar for fear that it might touch off inflation. Other major currency countries also want to call a halt to the falling trend of the dollar. In my opinion, the exchange rate of the dollar against the Japanese yen and other major currencies will more or less stabilize in the near future. Of course, this does not preclude the possibility of a slight drop in the dollar. In particular, with the economic growth rate slowing down and unemployment rising in the last couple of months, and congressional elections forthcoming, the Reagan administration may be forced to further reduce interest rates due to political and economic pressures. It is possible that this may lead to a further drop of the dollar exchange rate. Even so, the extent of the fall will not be too great and the duration will not be long.

2. Although the United States subjectively wished to make use of the macroeconomic "monitoring" and policy "coordination" among the seven Western nations, a notion endorsed at the Tokyo Summit, as a means of restraining its partners, this kind of "monitoring" and "coordination" can indeed help stabilize international exchange rates and the world financial market to a certain extent. [paragraph continues]

Thus, it is inadvisable to negate this notion in a summary fashion.

The question is: The Tokyo Summit only bestowed the seven Western nations the responsibility of carrying out this kind of "monitoring" and "coordination," while the great number of developing countries were still denied the right to monitor the macroeconomic activities of the major currency countries, although the developing countries always fell victim to the adverse external conditions produced by the macroeconomic policies of the major currency countries.

Another question is: This kind of "monitoring" and "coordination" also have nothing to do with IMF organizations. The "fund" is left to one side and has no part in it, although it is acknowledged by the public as an inter-governmental body responsible for international monetary cooperation.

This state of affairs should be improved. The developing countries have always demanded implementation of the principle of "reciprocity" in economic monitoring and readjustment. At present, however, it is not practical to demand that "monitoring" and "coordination" by the seven Western nations be placed under the supervision of the "fund" or that the developing countries be allowed to directly partake in the "monitoring" through appropriate means. The seven Western nations will not accept this. However, as a first step, what can be done is that by right of the authority acknowledged by the governments of various countries, the IMF should be represented in meetings of the heads of state or treasury secretaries of the seven Western nations, with the president of the "fund" taking part in the meetings on behalf of the "fund" and answering to the "fund's" executive board. The reasons for the "fund's" participation are fully justified: 1) The "fund" is the organization for monetary cooperation among different governments. 2) Since each nation acts in its own interest in the 7-nation meetings and the "fund" is supposed to act in accordance with the provisions of its "general agreement," it can fully play its mediatory and catalytic role in the conflicts of interests and promote cooperation among nations with respect to the monetary system. Now the Americans are also advocating "monitoring" and "coordination" and are glibly talking about "reciprocal monitoring." We and the developing countries could make use of their appeal to strengthen our own struggle for the principle of "reciprocity" and step by step fight for the right of the developing countries to monitor the macroeconomic activities of the major currency countries.

3. From the above analysis of the "Baker lending program," we can see that while it can be used by the United States to strengthen its economic control over Latin America and Africa, it can also be put to good use by the developing countries. This being the case, the policy we should adopt is to criticize its intensified economic control over the debtor countries (such as the imposition of stricter borrowing terms and overlapping terms) while supporting the developing countries in utilizing external funds under equitable conditions to develop their national economies. We should also support the demand and struggle of the developing countries to uphold sovereignty when making use of external funds, and show adequate understanding and sympathy toward developing countries that are forced to accept loans on harsh terms due to special economic difficulties. Under the present circumstances, the "Baker lending program" is in difficulty because of a lack of positive support from private commercial banks, we can turn the situation to our good and demand that the U.S. Congress and Government supply part of the funds.

We should see that for some time to come many developing countries will have pressing needs for external funds. On the other hand, borrowing terms are becoming more and more harsh. [paragraph continues]

Even some unconditional loans offered by international monetary organizations (such as the "fund") have become conditional, and preferential credits have become less preferential. Thus, I think it advisable to adhere to the principle of "reason, strength, and integrity" in struggles over international debt problems. It is inadvisable to support individual debtor countries to unilaterally demand the mitigation or writing off of debts, but we welcome the conclusion of such agreements between the creditor and debtor countries through bilateral talks. In fact, such agreements have been concluded between a few creditor countries, CHAs the FRG, and certain debtor countries. Judging from present conditions, the demands put forward by certain debtor countries to lower the interest rate on old loans are quite realistic and many debtor countries can benefit from them. For some debt-ridden countries (e.g. Mexico), the lowering of the interest rate by one percentage point means \$1 billion less in interest payments each year. However, our most pressing task at present is to strengthen solidarity and cooperation among the developing countries, particularly among the debtor countries. In recent years, proposals were put forward by the debtor countries at international meetings to cut the interest rates on old loans, set up loans to compensate for interest payments and for price cuts in oil and capital goods, increase the allocation of special drawing rights, and so on, but most of these were frustrated by the industrial nations because the developing countries (particularly the debtor countries) were unable to arrive at a unified stand on certain issues because they each had their own considerations. While it is true that under the present system, even if the debtor countries could achieve a unified stand, they may not necessarily be able to change the situation because the industrial countries have more voting power in many international organizations. This notwithstanding, the difficulties and cooperation that exist among the developing countries still constitute their most powerful means of international struggle.

In short, the external economic strategy of the present Reagan administration shows great initiative and a complicated nature: On the one hand, it serves its economic expansion; on the other hand, it has aspects that we and other developing countries can make good use of. For example, we could make use of the so-called "Baker lending program" to ease the payment difficulties of certain debtor countries and pressure the U.S. Congress and Government into providing funds for the "program"; we could make use of the American appeal for "reciprocal" macroeconomic "monitoring" between "countries with surpluses" and "countries with deficits" to strengthen the developing countries' positions in demanding "reciprocal" economic "monitoring" and "coordination" between the major industrial countries and the developing countries; we could even use American slogans against protectionism to oppose the protectionist measures of major industrial nations of the West, including the United States. How much the developing countries can make use of the "Baker lending program" depends to some extent on whether the developing countries can achieve extensive solidarity and adopt clearcut policies and a unified stand.

HU YAOBANG MEETS WASHINGTON POST CHAIRMAN

OW231228 Beijing XINHUA in English 1222 GMT 23 Sep 86

[Text] Beijing, September 23 (XINHUA) -- Hu Yaobang, general secretary of the Chinese Communist Party Central Committee, met Katharine Graham, chairman of the Washington Post Corporation of the United States, and her party here today.

Hu answered questions raised by the U.S. visitors.

XINHUA: USSR DEPUTY DEFENSE MINISTERS REPLACED

OW251142 Beijing XINHUA in English 1126 GMT 25 Sep 86

[Text] Moscow, September 24 (XINHUA) -- Soviet First Deputy Defense Minister Marshal V.I. Petrov, and Deputy Defense Minister A.T. Altunin may have been relieved of their posts, the Army daily KRASNAYA ZVEZDA (RED STAR) indicated today.

In an obituary of Colonel General P.N. Pokrovskiy carried by RED STAR, the places reserved for Petrov and Altunin in a list of signatories are occupied by General P.G. Lushev and General I.M. Tretyak respectively.

This suggests Lushev and Tretyak may have taken over from Petrov and Altunin.

Born in 1923, Lushev had been commander of the Soviet troops in Democratic Germany since July last year. He had been commander of the Central Asian Military District and commander of the Moscow Military District.

Tretyak, 63, was named commander-in-chief of the Soviet Far Eastern War Zone in 1984. He had also served as commander of the Belorussian Military District and commander of the Far Eastern Military District.

SOVIET OFFICIAL CLAIMS TRADE TO EXPAND

OW231858 Beijing XINHUA in English 1838 GMT 23 Sep 86

[Text] Moscow, September 23 (XINHUA) -- There are "broad prospects" and "great potential" for the development of Sino-Soviet economic and trade relations, a Soviet trade official told the official newspaper "PRAVDA" today.

M. Kiryanova, head of China section in the Ministry of Foreign Trade, said major progress has been made in economic and trade relations between two countries. She added that their bilateral trade increased nine-fold in the period 1981-85. It reached over 1.6 billion roubles (about 2.4 billion U.S. dollars) in 1985 and will increase further this year.

She said Soviet First Vice-Premier Nikolay Talyzin's visit to China earlier this month was "a new impetus to Soviet-Chinese economic and trade relations." According to an agreement signed during Talyzin's visit, trade will increase 5 billion roubles (about 7.5 billion U.S. dollars) in the next five years till 1990.

In addition to existing trade arrangements, she said, the two countries will cooperate in industry, raw material processing, compensation trade and the establishment of join-ventures.

JARUZELSKI SENDS MESSAGE FROM PLANE TO PRC LEADERS

LD242013 Warsaw PAP in English 1740 GMT 24 Sep 86

[Text] Pyongyang, Sept. 24 -- En route from Ulaanbaatar to Pyongyang, Wojciech Jaruzelski sent the following message from aboard his plane to General Secretary of the Chinese Communist Party CC Hu Yaobang and to Chairman of the People's Republic of China Li Xiannian:

"Flying over the territory of the People's Republic of China, I wish to convey to the great, friendly Chinese nation, to the leadership of the People's Republic of China, and to you personally, best wishes of success, further achievements in socialist building and development of People's Republic of China."

HUNGARIAN COOPERATION MEETING SUMMARIES SIGNED

On Economy, Technology

OW021412 Beijing XINHUA in English 1235 GMT 20 Sep 86

[Text] Beijing, September 20 (XINHUA) -- A summary of the second meeting of China-Hungary Committee on Economic, Trade, Scientific and Technological Cooperation was signed here today.

The document was signed by Liu Yi, Chinese minister of commerce, and Istvan Hetenyi, Hungarian minister of finance, both co-chairman of the committee.

The two sides expressed satisfaction with the development of bilateral economic, scientific and technological cooperation and the increase in trade scope since the committee's first meeting, the summary notes.

The two sides defined on cooperation items concerning wheat flouring equipment and technology and the manufacture of numerical-controlled machinery. They also explored into the possibilities of setting up direct trade ties between Hungarian and Chinese provinces and municipalities and of conducting bilateral labor service cooperation.

On Transportation

OW250540 Beijing XINHUA Domestic Service in Chinese 1129 GMT 22 Sep 86

[From "International Shortwaves"]

[Text] Beijing, 22 Sep (XINHUA) -- News from Budapest: A delegation of the Chinese Ministry of Communications, headed by Vice Minister Wang Zhanyi, visited Hungary from 14 to 22 September. Wang Zhanyi held talks with Hungarian Deputy Minister of Transportation Ervin Nagy, and they signed a summary of these talks. Both sides have decided to increase their technological exchanges and visited by technical personnel.

HONG KONG JOURNAL ON WANG RUOSHUI, HUMANISM

HK250545 Hong Kong KUANG CHIAO CHING in Chinese No 168, 16 Sep 86 pp 10, 11

[Article by Mo Min-chi [5459 2404 3825]: "Wang Ruoshui Opens Fire at an 'Authority on Theoretical Issues'" -- first two paragraphs printed in boldface.]

[Text] Between July and August 1986, Wang Ruoshui consecutively published three extraordinary polemic articles. He targeted an authority on theoretical issues and resumed the "great debate on humanism."

That "authority on theoretical issues" had also decided to "rectify a deviation," and wrote an article entitled "Freedom of Creation and the Sense of Social Responsibility of Literature and Art Workers," which he required that WENYI BAO to publish as a commentator's article, without signing his own name to it; at the same time, he told XINHUA NEWS AGENCY to have it transmitted.

The philosopher Wang Ruoshui has been quite busy, with many of his writings being published, as well as a collection of his essays. However, his removal from office during the "elimination of spiritual pollution" has not been corrected so far, and he has not been appointed to a new position.

Wang Ruoshui has Consecutively Published Three Polemic Articles [subhead]

The recent publication of Wang Ruoshui's articles is noteworthy. Shanghai's JIEFANG RIBAO carried his article "The Freedom of Literature and Literature of Freedom" on 4 April. Consecutively on 17 and 18 July, Shanghai's WEN HUI BAO carried his article entitled "Marxist Philosophy of Man." Again, on 8 August, Beijing's HUASHENG BAO carried his article entitled "The 'Double-Hundred Policy' and Citizens' Rights." This philosopher has shown meticulous care in these writings.

To those readers who know nothing about the inside story, these three long articles by Wang Ruoshui seem to be purely theoretical. But in fact, their target is obvious, and the articles are written in a highly militant spirit.

The article "The Freedom of Literature and Literature of Freedom" criticizes someone who confuses freedom in the philosophical sense and in the sociopolitical sense. The article cited the example of the WENYI BAO commentator's article, (No 6, 8 Feb 86) entitled "The Freedom of Creation and the Sense of Social Responsibility of Literature and Art Workers." A friend in Shanghai disclosed to the author the inside story of that article in WENYI BAO which enabled the author to better understand Wang Ruoshui's article "The Freedom of Literature and Literature of Freedom."

The CPC "Authority on Theoretical Issues" Decided To "Rectify a Deviation," and Required WENYI BAO To Publish his Important Article in the Form of its Commentator's Article; at the Same Time. He Told XINHUA NEWS AGENCY To Transmit Its Full Text....[subhead]

It happened that after Hu Qili proposed the slogan "Freedom of Creation" at the Writers' Association, the CPC authority on theoretical issues was very annoyed and decided to adopt measures to rectify this deviation. He wrote an article as an apologist; however, he was unwilling to sign his name to it, and required WENYI BAO to publish it in the form of its commentator's article. The editors of WENYI BAO did not quite go along with the viewpoints in the article, but were not in a position to openly defy him. Therefore, they consulted him in a round-about way by saying: "This article carries some weight; it is best to sign your name." The authority of theoretical

issues wanted to air his views but would not make himself conspicuous and insisted that WENYI BAO publish his article "The Freedom of Creation and the Sense of Social Responsibility of Literature and Art Workers"; at the same time, he insisted that XINHUA NEWS AGENCY transmit it for publication in all major newspapers in Mainland China. However, his views have few supporters, and not many mainland newspapers have carried this article.

Wang Ruoshui Targeted the "Grand Article" of the "Authority on Theoretical Issues" [subhead]

In his writing, Wang Ruoshui targeted the article of that authority on theoretical issues and analyzed freedom in two different senses; at the same time, he refuted the censure that he had wanted to abolish discipline on the grounds that he had proposed "freedom and responsibility." Needless to say, it was that authority on theoretical issues who had made the censure.

The Continuation of the "Great Debate on Humanism" [subhead]

Therefore, we should by no means regard Wang Ruoshui's article "The Freedom of Literature and Literature of Freedom" merely as the clarification of some concepts and the expounding of some viewpoints. It is actually a continuation of the significant great debate on humanism that broke out a few years back.

Ironically, when Wang Ruoshui's article was published, that authority on theoretical issues was also in Shanghai. When he read Wang Ruoshui's article, he must have sighed with emotion, recalling his power and prestige in the debate on humanism, when he could attack his opponent with his influence!

The article "On Marxist Philosophy of Man" is one of the highest level and is the most effective of the three. As is pointed out in the article, "Whenever Marxism is mentioned, it is class struggle and proletarian dictatorship that first occur to people," and "this has given Marxist studies a severe tint"; and the most popular saying regarding Marxist theory is "you will get what you need." Wang Ruoshui believes that all this is skin-deep and one-sided. He stresses that Marxist philosophy is humanitarian, while the basic principle of communist society is the "all-round and free development of every man," just as Marx himself had repeatedly said. This philosopher went on to quote at length from Marxist classical works, demonstrating and expounding this concept.

The fact that Wang Ruoshui has written a long article in tens of thousands of words to expound Marxist philosophy on man is in line with his persistence in advocating humanism over the years. As a communist, this means to advocate humanism on a higher theoretical plane. This is not only a negation of the whole set of theory on "taking class struggle as the key link," which had for a long time occupied a dominant place inside the CPC, but a criticism of the various views neglecting human values which still have wide influence inside the CPC.

Repercussions of the Polemic Articles [subhead]

It is precisely because of this that the publication of this article has roused great attention in theoretical circles in Mainland China. It is said that the teachers and students of advanced party schools, the supreme party bases of theoretical training, which are known for adhering to orthodox theory, are talking about it; moreover, the majority of them support it. Of course, some people in CPC theoretical circles do not quite approve of it, thinking it "departs from the classics and rebels against orthodoxy," and is an imitation of Khrushchev's concept of "Everything is for man."

But gone are the days when people could conjure up "the label of revisionism" to suppress exploration and blazing new trails, to the regret of those apologists. All they can do now is complain in private.

In his article *The Double-Hundred Policy and Citizens' Rights*,¹ Wang Ruoshui acutely pointed out that the reason why the "double-hundred" policy failed to be implemented in the past was only because the authority of the constitution had not been safeguarded, nor had there been any guarantee for citizens' rights. Beyond a doubt, this has played a part in pointing out the malpractice of some leading CPC members who pay lip service to strengthening the legal system but, in reality, believe that one sentence of theirs is more authoritative than the provisions in the Constitution.

Why Did Wang Ruoshui Choose To Publish his Article in Shanghai Rather Than Beijing
[subhead]

Why were two out of Wang Ruoshui's three articles published in Shanghai? My friends told me that Wang Ruoshui arrived in Shanghai in late May, having attended a meeting commemorating Deng Tuo. His long speech delivered at the Shanghai Symposium on Cultural Strategy caused a sensation in the city. Some academic organs vied to have him give lectures. The chief editors of both JIEFANG RIBAO and WEN HUA BAO made special trips to visit him, asking him to write for their newspapers, while other newspapers and journals sent their reports to interview him. Feeling that it would be ungracious to turn down the offer, this philosopher agreed to write one article for each of the two major Shanghai newspapers, but politely turned down all invitations to be interviewed and make speeches. Qin Benli, the responsible person of SHIJIE JINGJI DAOBAO is quite familiar with Wang Ruoshui, and he had written an interview ready for publication, but Wang Ruoshui simply would not agree to have it published. The only interview was carried in SHEHUI BAO, ["SOCIETY JOURNAL"] a newspaper launched by Deng Weizhi. Wang Ruoshui had no desire to become the focus of public opinion. Under such circumstances, he left Shanghai in a hurry, ahead of schedule.

However, the talk about Wang Ruoshui in Shanghai did not stop with his departure. A dispatch carried in Guangzhou's XIANDAI REN BAO ["OUR CONTEMPORARIES"] under the heading "Theoretical News of Newsmaker -- Wang Ruoshui on Modernization of Marxism" said: "His speech in Shanghai has started a chain reaction in people's minds." the two long articles carried in the Shanghai newspapers have brought about very strong repercussions in Shanghai.

Some figures in Shanghai theoretical circles have watched Wang Ruoshui's moves closely. According to a friend of mine, Wang Ruoshui went to Xinjiang, attended an academic meeting and delivered another speech. Worthy of note was the fact that a big shot in CPC theoretical circles had long been in Xinjiang taking charge of ideological work, and his influence was still felt. Therefore, Wang Ruoshui met with some restriction when delivering the speech. But to the great surprise of the responsible person of the local theoretical department, the response of the audience was very strong. According to the report of a newspaper, a "meeting in celebration of new technological revolution and structural reform" was held in Hangzhou in early August. The meeting was initiated by such famous personalities of the reformist school as Wen Yankai, Deng Xunhu, and Bu Xinseng, and Wang Ruoshui was among the participants.
[paragraph continues]

According to some people from Beijing I have met recently, Wang Ruoshui is now doing some writing in Shandong. It seems that this philosopher is still very busy with his academic activities even if "one feels carefree when one is relieved of official duties."

Has the Verdict on Wang Ruoshui Been Reversed Under the Relaxed Environment? [subhead]

What is pleasing is the publication in August of Wang Ruoshui's collection of philosophical these under the book title "In Defence of Humanism." It is said that more than a year had passed since the manuscripts of this collection were turned over to the Joint Publishing Company, Beijing, but they had not been sent to the compositor because of the "climate." This collection is available to the public in the ever more relaxed academic atmosphere in the mainland. According to a friend in press circles, the first printing of the book numbered 30,000 copies; and it became a best-seller and ran out of stock within a few days. Now they are ready to have a second printing of the book. Besides, Wang Ruoshui's collection of literary critique and essays entitled "The Pain of Wisdom" will soon be available to the public. The manuscripts has been pigeonholed in the Editorial Department of Renmin Wenxue ["People's Literature"] Publishing House for more than a year.

"Wang Ruoshui's verdict is eventually reversed!" The author said this with feeling in talking about him with friends in Shanghai. But I did not expect that would bring about disputes.

A friend said: "To the public, Wang Ruoshui has always been a respectable, positive personality; his removal from office during the campaign to 'eliminate spiritual pollution' has only brought him greater prestige. Therefore, the question of reversing the verdict has basically never existed. As for the leadership, they have so far remained silent on Wang Ruoshui's problem during the campaign to 'eliminate spiritual pollution' nor have they made appropriate work arrangements for him, so we can hardly say his 'verdict' has been reversed!"

"At least he can deliver speech and have his writings published anywhere he likes; moreover, his books are now published"! The author said in an attempt to defend himself.

"This has actually shown a relaxed academic atmosphere." At this point, another friends immediately put forth a question: "But I don't think he can have his writings published anywhere he likes. Why is it that we haven't seen any of Wang Ruoshui's articles carried in RENMIN RIBAO so far?"

The author had not thought of that. But Why? Who should provide us with an answer!

STATE SECURITY DEFECTOR NOT 'SENIOR OFFICIAL'

HK260202 Hong Kong TA KUNG PAO 'in Chinese 26 Sep 86 p 1

["Special Dispatch" from Beijing by reporter Hou Tung-hai [0186 2639 3189]: "Foreign Press Reports Were Highly Inconsistent With the Facts; the Defector, Named Yu Qiangsheng, Was Not a Senior Official of the Minister of State Security"]

[Text] Beijing, 25 Sep -- According to reliable sources, Yu Qiangsheng, an ordinary worker at the Chinese Ministry of State Security, defected abroad at the end of 1985. [paragraph continues]

However, the sources said: "Recent foreign press reports on the defection of Yu Zhensan, 'senior official' of the Chinese Ministry of State Security, were highly inconsistent with the facts. In fact, no senior officials of the Ministry of State Security have ever defected."

The sources said: At the end of 1985, a man Named Yu Qiangsheng defected abroad. He once worked at the public and state security organs but was discharged from public employment for immorality and degeneration. Yu was not a "senior official" of the Minister of State Security. He never held the post of chief of the Foreign Affairs Bureau or Information Bureau as reported by foreign press, but was merely an ordinary worker. He worked as a deputy section chief for a time before his dismissal.

YANG DEZHI STRESSES ARMY REGULARIZATION

OW180830 Beijing XINHUA Domestic Service in Chinese 1322 GMT 17 Sep 86

[Text] Guangzhou, 17 Sep (XINHUA) -- Yang Dezhi, chief of the PLA General Staff, stressed that an important task of the current military work is to accelerate the regularization. It concerns the Army's image, which has a direct bearing on the prestige of the country and the Army.

He made these remarks today at an all-Army seminar on the reform of combined training tactics, which was sponsored by the PLA General Staff Department. The CPC Central Committee and the Central Military Commission have called on us to shift the guiding principle for army building from war preparedness to peacetime construction, and to carry out the Army's basic construction on the premise of serving national economic construction, he said. This means that we must accelerate the PLA's regularization in order to heighten the soldier's spirit, promote the Army's modernization, and make it more revolutionary.

In regularizing the Army, we should not spend a lot of money and increase the number of units, but rely on the existing manpower and material resources, Yang Dezhi pointed out. Currently all PLA offices and units have basically completed reorganization work and leading bodies at all levels have already selected their members, providing the necessary conditions for successfully carrying out the regularization of the Army and enabling it to take on a new look within 1 to 2 years.

Discussing the contents of the regularization, Yang Dezhi said: At the least, we must strictly enforce rules and regulations, and set up unified and standardized order for war preparedness, training, work, and daily life. It is necessary to formulate healthy work style and discipline, and foster good relations between officers and soldiers and between soldiers and civilians. It is also necessary to pay close attention to scientific management and improve leadership quality and management ability.

Yang Dezhi also stressed the importance of military training, management education, and ideological and political work for accelerating the process of the Army's regularization.

COMPILATION OF MILITARY ENCYCLOPEDIA COMPLETED

OW241031 Beijing XINHUA Domestic Service in Chinese 0015 GMT 22 Sep 86

[By reporter Xu Jingyao]

[Excerpts] Beijing, 22 Sep (XINHUA) -- Compilation of the "Chinese Encyclopedia" volumes dealing with military affairs was recently completed. The volumes will be published one after another. They will make up the first comprehensive encyclopedia on military affairs ever published in China.

The volumes are the result of a comprehensive compilation of military knowledge in all areas and thus have substantial content. The book is divided into 25 branch subjects, including military thinking, military figures, and military geography, and contains a total of 2,679 entries and over 3.6 million Chinese characters. After 5 years of compilation, screening, editing, and examination under the leadership of the Central Military Commission, eight volumes have already been published. Thirteen more will be published before the end of this year. [passage omitted]

It is reported that following the Completion of the "Chinese Encyclopedia" volumes on military affairs, compilation began of a still more voluminous work, the "Chinese Military Encyclopedia" which will have over 11 million Chinese characters. Comrade Deng Xiaoping recently wrote the title for this book.

GUANGMING RIBAO ON POLITICAL STRUCTURAL REFORM

HK260141 Beijing GUANGMING RIABO in Chinese 18 Sep 86 p 1

[Commentator's article: "Drawing Two Demarcation Lines Ideologically in Political Restructuring"]

[Text] With the in-depth development of the reform of the economic structure, more and more people have shown concern for political structural reform. Because the political reform involves a wider scope than the reform of the economic structure as well as more profound contents, the difficulty will be still greater, and the conditions more complex. Thus, we must deal with it with greater care. To ensure that political structural reform can proceed more smoothly, perhaps it would be wise to draw two demarcation lines ideologically: First, like the reform of the economic structure, political structural reform is also a self-perfection and self-development of the socialist system. Some people believe that reform is unnecessary because we have already established the socialist political system. It seems that the socialist political system is perfect and impeccable once it is set up. Such an idea is unfavorable to the political structural reform. Therefore, it is necessary to draw a demarcation line against it. And second, the political structural reform should be favorable to improving and consolidating the party's leadership; by no means should it cause a change in the basic nature of the socialist system. The view that political structural reform will reduce and eliminate the party's leadership and change the basic nature of the socialist nature is wrong. We should likewise draw a demarcation line against such a view.

How should we view the ideological turbulence in the course of reform? An overall analysis is necessary. On the one hand, political structural reform will inevitably bring about effects on people's material interests, lifestyle, concept of value, human relations, as well as their ways of association. Ideological turbulence in all social strata and sectors is inevitable too; and it is natural that there will be a variety of opinions for a time. Such opinions, if guided appropriately, will be changed into tremendous forces to push forward reform.

Hence, they are a good thing. We should not make a fuss over the opinions of the masses or criticize them. In particular, media departments engaged in journalism, propaganda, and theoretical work should themselves carry out reform in the course of political structural reform, in order to eliminate the rigid pattern of propaganda work.

On the other hand, we should correctly and appropriately handle the differences between all social sectors in the course of reform of the political structure, because of the complexity of the political structural reform and China's national conditions, so as to avoid major disturbances and conflicts in the overall situation of reform. Ours is a socialist country; contradictions in basic interests between social strata and sectors do not exist. Hence, it is possible for us to achieve this. Media departments such as journalism should work hard to safeguard and create a harmonious atmosphere, so that all kinds of contradictions and differences may be solved in a relatively harmonious environment.

So long as we draw the two demarcation lines on principle ideologically, and adhere to consolidating the party's leadership along with the process of self-perfection and development of the socialist political system, we will certainly pool the wisdom of the masses from their opinion about the reform. Meanwhile, we will be able to prevent major disturbances and conflicts in the inevitable ideological turbulence, and the entire political structural reform will advance relatively smoothly and healthily.

GONGREN RIBAO ON FREE POLITICAL DISCUSSION

HK250703 Beijing GONGREN RIBAO in Chinese 16 Sep 86 pp 1, 2

["Special Commentary" by Xu Wenhai [1776 2429 3189]: "Thoughts Resulting From Whether Political Questions Can Be Discussed"]

[Text] The problem of whether political questions can be discussed remained unresolved for about 20 to 30 years. Not long ago, Comrade Wan Li provided a positive answer to this question at a national symposium on soft science research work. This is a matter for rejoicing, and further progress will be made in China's democratic life from now on. However, why has this problem, which should not have been a problem at all, remained unresolved for as long as 20 to 30 years? We should draw a profound lesson from this so as to prevent the recurrence of similar problems in China.

That political questions cannot be discussed can probably be traced back to the six political criteria for differentiating between fragrant flowers and poisonous weeds. These political criteria set a precedent for distinguishing fragrant flowers from poisonous weeds merely according to differences of opinion in the academic and cultural fields as well as in the people's political life. As a result, many good comrades who merely held different views but had not committed any criminal offense were regarded as "poisonous weeds" and attacked as enemies. The injustices these comrades suffered went unredressed for a long time. In addition, the criteria had great flexibility but no standard distinction between right and wrong. With these criteria, anyone could render right as wrong and revolutionary as counterrevolutionary according to his understanding. Opinions which had nothing to do with politics could be directly or indirectly connected with the six criteria. Once a connection was made, you could not be able to explain yourself even if you had a thousand mouths. The majority of the several hundred thousand people throughout the country who made good suggestions were branded as "rightists" according to the six political criteria. The so-called counterrevolutionary revisionists and capitalist roaders during the 10-year catastrophe were the victims of the six political criteria.

These bloody facts made people believe that political questions could not be discussed. To prevent the recurrence of similar cases, it is necessary to resolutely discard once and for all the erroneous method of distinguishing ourselves from the enemy according to differences of opinion. Problems in the academic and cultural fields as well as problems concerning viewpoints should not be dealt with as crimes so long as they do not violate criminal law. This is our first lesson.

Some people think that if major political principles are allowed to be discussed at will, these principles will be polluted, their reputation will be harmed, bourgeois and revisionist ideas will spread unchecked, and the party and the state will be in danger. These misgivings are unnecessary.

In fact, people should be allowed to fully discuss these major principles because they are of great importance in our political life. The more thorough the discussion on these principles is, the more profound will be people's understanding, the more consciously they will observe these principles, and the deeper these principles will take root among the people. If these principles are placed in an inviolable position without allowing people to discuss them, people will only know how to follow them but will not know why they should follow them. As a result, they will not be able to resolutely observe these principles. What is more important is that the major principles we adhere to represent irrefutable truth. Truth does not fear criticism or doubts and becomes more explicit through debates. Why should we fear the masses' discussion on truth?

We have gained experiences and lessons, both positive and negative, since the 3d Plenary Session of the 11th CPC Central Committee. After that plenary session, the CPC Central Committee pointed out the necessity for adhering to the four basic principles on the one hand and encouraged the people throughout the country to fully air their views on problems concerning the four basic principles on the other. Over the past few years, the masses as well as specialists, academics, and well-known personages in various fields have aired different types of views on how to strengthen and improve party leadership, on how to rectify unhealthy practices, on how to perfect the socialist system, on how to carry forward the democratic style, and on how to strengthen the socialist legal system. They have also put forward sharp criticism concerning our work. In particular, many specialists have expressed their incisive views on how to develop Marxism by breaking through individual principles of Marxism. The CPC Central Committee welcomes their discussions. It accepts and puts into effect their correct views and regards wrong or improper suggestions as unavoidable in the course of discussion. As a result, a relaxed and harmonious political atmosphere has arisen, the people have taken the initiative in participating in political discussions, their wisdom and talents have been brought into better play, and the party's four basic principles have been combined with the people's political enthusiasm in such a good way that every point of the principles has obtained more vitality. On the other hand, however, as the after effects of curtailed political discussion have not been thoroughly removed, some people still take it as an unshakeable principle in differentiating between right and wrong in the academic and cultural fields as well as in the people's political life. Whenever these people use their "batons," "labels," and power to intimidate others, unrest and misgivings arise in varying degrees. Therefore, it is necessary to exercise open politics and oppose closed politics and to exercise the politics of the masses and oppose the politics of the minority. This is our second lesson.

Another mistake in our guiding principles is the opinion that believes that the views expressed in the course of letting a hundred flowers blossom and a hundred schools of thought contend are either of a proletarian or bourgeois nature: Those who agree with me are proletarians, and those who do not agree with me are bourgeois; if you agree with me today, you are proletarians today, and if you do not agree with me tomorrow, you are bourgeois tomorrow; and once you are enlisted in the bourgeois rank, you will become poisonous weeds, over which proletarian dictatorship will be exercised. As everyone is aware, in actual life, which includes life of the party, it is normal for people to have differences of opinion on certain problems, as their experiences and basic knowledge are different and they view problems from different angles. Differences of opinion will benefit us instead of hampering us in our endeavor for common targets. We should welcome people airing different views. Varying opinions indicate the prosperity of a country, whereas an apathetic atmosphere in which "ten thousand horses stand mute" suggests political failure. Considering comrades who hold different views as bourgeois is the beginning of this failure.

We should have this breadth of vision: Those who are in favor of socialism should be united and not treated as bad people, even though they may have various types of bourgeois ideas. We are opposed to the capitalist system and the bourgeois world outlook. But political, economic, and cultural achievements in capitalist society can be used for reference, with the exception of the dregs of this society. There is absolutely no need to turn pale at the mention of capitalism. Marxism is based on bourgeois classical philosophy, classical political economy, and utopian socialism. Are we now destined to be influenced by the negative factors of things bourgeois rather than absorb something useful from them? We should discard once and for all the habit of having faith merely in oneself and excluding everything foreign. This is our third lesson.

Although the erroneous ideas we have mentioned above do not occupy a dominant position in our life, they have not been thoroughly eliminated. In the course of democratization, we should be on guard against these erroneous ideas and should prevent them from hampering our progress.

RENMIN RIBAO ON ELIMINATING FEUDALIST VESTIGES

HK181140 Beijing RENMIN RIBAO in Chinese 12 Sep 86 p 5

[Article by Tian Jujian [3944 1446 0313]: "We Must Make In-Depth Analysis of Feudalist Vestiges" -- first paragraph published in boldface]

[Text] As soon as the Chinese proletariat entered the historical arena, it was busy carrying out armed struggle to seize and consolidate state power. In those years of war, it was unable to make an overall, systematic, and thorough criticism of feudalism ideology; still less was it able to lead large numbers of peasants and other small producers in conducting self-education and eliminating the vestiges of feudalism ideology in their minds. After the founding of the state, due to mistakes in our appraisal and recognition of the national situation, the task of eliminating feudalism vestiges was not placed on the agenda of our daily work. Thus, feudalism vestiges remain a hidden danger for socialism even to this day. The most concentrated expressions of such vestiges are the small peasant concept and patriarchal ideology.

China is now in a new historical period of great reform and transition. On this vast and age-old land, the 1 billion Chinese are carrying out a reform of the economic structure in both the countryside and cities step by step and in a planned and orderly way, in order to build China into a socialist country with distinctive Chinese characteristics and full of vigor and vitality and in order to suit the development of the socialist commodity economy and push forward the overall reform in various fields, including the political, scientific and technological, educational, and cultural fields. Although this is a reform for self-improvement of the socialist system, not a revolution characterized by one class overthrowing another, it is as profound, complicated, and arduous as all previous revolutions. The reform carried out over the past few years has not only brought about a profound change in the economic life of our country, but has also brought about changes in the people's ideology, concept of value, mental state, way of thinking, and standard of conduct. Practice incontrovertibly proves that the change from the old system to the new is inevitably accompanied by the confrontation of old and new concepts. Of the various types of old concepts that obstruct the advance of reform, the most stubborn is the feudalist vestige, which has the greatest influence. In the economic field, this is reflected by phenomena such as the traditional idea of regarding personal loyalty as superior to profit, which restrains the development of commercial activities; production objectives that disregard overall and long-term interests; the state of closing up, which is characterized by separation between different departments or regions; the way of management characterized by merely using administrative measures to carry out management while neglecting the roles of economic levers and market regulation; the egalitarian principle of distribution, characterized by "everybody eating from the same big pot"; the conservative mentality characterized by satisfaction with the status quo and fear of reform and competition; and the trend of parochial arrogance and closing the country in external affairs. In the political field, it is reflected by phenomena such as overcentralization of power and patriarchal behavior; all kinds of privileges and the practice of abusing power to seek private interests; appointing people by favoritism to establish a network of relations; overstaffed organizations; putting on airs and practicing bureaucratism; the idea of social estate and the concept of attaching people to a certain social stratum; the tradition of rule by man, which is characterized by attaching greater importance to power than to the law and trampling on the legal system; and lacking the knowledge and habit of democratic life. There are profound historical reasons for the emergence of such defects in socialist China in the 1980's.

As everybody knows, our socialist society emerged from the womb of semifeudal and semicolonial society, which emerged from the previous feudal society. In the recorded history of China, the feudal society covered the longest period of time. In other words, China entered the period of socialism with a long umbilical cord of feudalism, leaping over the stage of capitalism. It is true that the feudal society has left the Chinese nation glorious and valuable legacies, but it has also left us heavy burdens of ignorance and backwardness. The old bourgeois democratic revolution led by Dr Sun Yat-sen overthrew the rule of the last emperor of the Qing Dynasty, putting an end to the feudal autocratic system which had ruled over China for more than 2,000 years and pounding at the feudalist ideology. However, since the basis of China's capitalist economy was very weak, the bourgeoisie, which was congenitally deficient in the political field, lacked the courage to sever relations with feudalism. Moreover, due to its low theoretical level, it was unable to completely and thoroughly eliminate the feudalist ideology. After several rounds of trials of strength with the feudalist ideology, it began to retreat. For this historical reason, this arduous task has fallen on the shoulders of the Chinese proletariat, represented by the CPC.

The CPC led the people throughout the country to fight bloody battles. In the 28 years of the new democratic revolution, the feudalist economic basis and the political system serving this basis were both eliminated.

However, as soon as the Chinese proletariat entered the historical arena, it was busy carrying out armed struggle in order to seize and consolidate state power. In these years of war it was unable to carry out an overall, systematic, and thorough criticism of feudalist ideology; still less was it able to lead the large numbers of peasants and other small producers who joined the struggle in the course of encircling the cities from the rural areas to carry out self-education and eliminate at the right time the vestiges of feudalist ideology in their minds. These peasants, who were in army uniform, had natural relations with the broad rural areas, which were the bases for feudalist ideology. Thus, feudalist ideology became a kind of traditional force and quietly entered the socialist era. After the founding of the PRC, through the land reform in the newly liberated areas and through implementing the new marriage law in both cities and the countryside, the CPC, which became the ruling party, conducted resolute and effective criticisms of feudalist ideology. However, these efforts were not protracted. Especially vigilance was not maintained against the corrosive roles of feudalist vestiges in the political, economic, ideological, and cultural fields and the task of eliminating feudalist vestiges was not placed on the agenda of work. After 1957, due to mistakes in analyzing and recognizing the national situation, the contradictions and struggles between the proletariat and the bourgeoisie and between socialism and capitalism were one-sidedly emphasized and the danger of capitalist restoration and emergence of revisionism within the party were exaggerated. As a result, the seriousness of feudalist vestiges was neglected. They remain a major hidden danger today.

There are many expressions of feudalist vestiges, but the most concentrated are the small peasant concept and patriarchal ideology. The small peasant concept is an outcome of the small peasant economy. Since ancient times, China has been a country with agriculture as its main economic lifeline. With the collapse of the state ownership system (the nine squares system) of the slave society and the abolition of collective labor of the slaves, the form of separated management of land on the household basis and with the individual ownership of small land as a prerequisite became the economic basis of the feudal society. In the past more than 2,000 years, all peasants, whether land-holding peasants under the systems of state and village ownership or tenant peasants under the system of landlord ownership, worked under such conditions. They engaged in both agricultural and handicraft production, and their products were chiefly for consumption rather than for exchange.

The small peasant economy is based on old technology and outdated production methods. Always sticking to old ways, it refuses to adopt new technology and carry out reforms and is content with the existing state of affairs. In the book "Zhuang Zi: Heaven and Earth," there is a story about a vegetable grower who would rather "dig wells and get water" and "toil and moil for little achievements" than adopt advanced tools which can "save much labor and make greater achievements." This is a typical example of this ideology. From this we can find it not difficult to explain why farm tools invented during the warring states period more than 2,000 years ago, such as ploughs, are still widely used today in many areas.

The small peasant economy is characterized by separated and disorganized production on odd pieces of land. "A small piece of land, a peasant, and a family; next to them are another small piece of land, another peasant, and another family." "Their ways of production do not make them associate with but separate from each other," "just like a sack of potatoes composed of separate potatoes." ("Selected Works of Marx and Engels," Vol 1, p 693) These small peasants are usually unwilling to leave their native land or change their work. They go out to work when the sun rises and return when it is dark.

In spring they till the land, in summer they weed the fields, in autumn they harvest, and in winter they store up grains. Year after year and generation after generation, they repeat this in efficient, slow, and simple reproduction and are ignorant and ill-informed, knowing nothing about the commodity economy. The poet Bai Juyi wrote a poem entitled "The Zhu and Chen Village" describing such a state of affairs.

By instinct, the small peasant economy restrains the development of commercial business. Since it is unable to resist commercial development and the great shock wave of usurious loans, it is entirely incompatible with the commodity economy. In Chinese history, whenever commercial capital and usury were active, what usually happened was that the land was annexed, the peasants went bankrupt, and the society was turbulent. For this reason, the rulers of all feudal dynasties attached great importance to agriculture, while restraining the development of commerce, and regarded personal loyalty as superior to profit. They regarded commerce as a dying business and merchants as people of the lowest social status, under scholars, peasants, and workers. They used every possible means to suppress and humiliate merchants, or even kill them. For example, in the Han Dynasty, it was stipulated that "the merchants cannot wear silk clothes and take vehicles and must pay heavy rent and taxes." ("The Records of History") and "the merchants are not allowed to become landowners and officials; those who violate this rule are to be punished." ("The Book of Han") Undoubtedly, these measures encourage people to look down upon commodity production and foster all kinds of absurd concepts.

Another characteristic of the small peasant economy is shortsightedness and fear of disorder to maintain stability. They believe in the doctrine of "not being afraid of insufficiency but of inequality" and are especially fond of and always stick to the egalitarian principle of distribution. The "heavenly land system," a revolutionary program worked out by the leaders of the Taiping Heavenly Kingdom, was a comprehensive expression of this egalitarian ideology of the small peasants in ancient China. It is obvious that the egalitarian principle of distribution they advocated -- "land, food, clothing, and money should all be shared equally so that there will be no inequality, no hunger, and no lack of warm clothes" -- was but an idle dream running counter to the law of social development. It cannot be realized in any stage of social development.

With a fragile foundation and weak and isolated strength, the small peasant economy isn't able to conquer and utilize natural resources or to resist natural calamities. "To the small peasants, even when a cow dies, they will be unable to start reproduction again according to their original plan." ("Collected Works of Marx and Engels," Vol 25, p 678) If they encounter greater disasters such as flood, drought, famine, plague, and war, their miseries can be easily imagined. Being unable to withstand all kind of disasters, the small peasants often consider themselves weak and fail to see their own strength. They do not believe they can save themselves and always pin their destiny on their dominators. They allow other people to represent them and always hope a "savior" will bestow a favor on them. Therefore, they always place their hopes on certain "wise leaders and good officials" and "upright judges", and believe in "rule by man", which can decide everything with a word. They can easily accept the concept of deification. If anyone in real life becomes a "deity" in their minds, they will easily acknowledge the "deity's" supreme and absolute position. Thus, all kinds of feudalistic things, such as the lifetime tenure system, the hereditary system, personality cult, making arbitrary decisions and taking preemptory actions, abusing one's power to seek private interests, currying favor with those in power, and taking bribes and bending the law, have appeared one after another, becoming spiritual shackles to demoralize the people.

Patriarchal ideology derives from the patriarchal system. Being a component part of the superstructure of the slave and feudal societies, the patriarchal system is a clan system deriving from the patriarchal system of the ancient patriarchal clan society, established for the purpose of regulating the internal relations of slaveowners and enslaving common people and slaves. This system, which is based on blood relationship and which covers up class relations by means of blood relations, was first established in the Shang Dynasty and perfected in the Zhou Dynasty. Together with the system of enslavement, they form an organizational system combining "family" and "state" into one. It fills the outer shell of the patriarchal clan, which is based on blood relations, with the content of dividing people into classes in accordance with their different social status and blood relations, and redistributes power and property among the slaveowner-nobles. After the spring and autumn period and the warring states period, with the dying out of the slave system and the rise of the feudal system, the clan system began to collapse. But the patriarchal system, which was based on blood relations and which divided people into different classes, was inherited by the landlord class. They used some traditions and habits of the slave society, such as the common family name, common directly-related ancestors, and common ancestral temples and tombs, to further perfect the patriarchal rule, making it an important part of the superstructure of the feudal society.

On the question of feudal clan power, Mao Zedong pointed out in his "Report on an Investigation of the Peasant Movement in Hunan" that it was a power exercised by "the clan system ranging from the central ancestral temple and its branch temples down to the head of the household." Ancestral temples were the axes of the activities to enhance relations among the numerous families and small and big clans on the basis of blood relationship. For this reason, the head of a clan was also called the head of a temple. Every clan had its own temples, including the central ancestral temple and branch temples. The former was the temple for the entire clan, while the latter were for various branches of the clan. Each family belonging to a certain branch also had a similar, but smaller, ancestral temple. Through such memorial activities, a well-organized feudal patriarchal clan system combining both blood relationship and social relationship was established. Every clan had a head, who was usually a local gentleman or landlord who had power and high prestige. The head of a clan was in charge of all important affairs of the clan, such as holding memorial ceremonies for the ancestors, compiling the book of genealogy, and managing the clans' fields. He ruled over the entire clan by means of explaining and implementing the ancestors' teachings and family and clan rules and regulations. The patriarchal rule was usually mingled with the political power. In the countryside, local administrative officials were usually heads of clans. Since the patriarchal clan system played a very important role in maintaining feudal moral principles and the order of feudal rule, it was forcefully advocated and fostered by the rules of all the feudal dynasties of past years.

Man's social being determines his thinking. All the corrupt practices and ideas that have been polluting and poisoning our social life like plagues for several thousand years, such as practicing paternalism, benefiting one's own wife and children, appointing people by favoritism, promoting people by seniority alone, flattering high officials, setting up relationship sets, and practicing factionalism and sectarianism, have their sources in the patriarchal system.

The feudal vestiges, including the small peasant concept and patriarchal ideology, are traditional ideas left over from the feudal society. This is an extremely bad force of habit. Engels pointed out: "The force of habit is a great obstruction. It is an inertia in history. But since it is a negative factor, it will surely be destroyed." ("Selected Works of Marx and Engels," Vol 3, p 402) The existing feudal vestige in our country are also now facing this fate. However, it is by no means an easy job to thoroughly eliminate these vestiges. [paragraph continues]

It needs our long-term efforts. This is because ignorance and conservative ideology are always closely related to outdated and low productive forces. For this reason, the key to eliminating feudalist vestiges lies in greatly raising social productivity. At present, the most pressing task is to vigorously develop the socialist commodity economy and substitute it for the natural economy, which is characterized by self-sufficiency, so as to destroy the material basis of the feudalist vestiges. At the same time, it is also necessary to vigorously tap intellectual resources; speed up the development of education, science and technology, and cultural undertakings; perfect democratic and legal systems; and widen the field of vision and renew the concepts of the people, so as to conscientiously resist and eliminate the feudalist vestiges. In this respect, historians have special obligations. They must take analyzing profoundly the feudalist vestiges as an important task for their study and use scientific methods to study the developments of these vestiges, so as to make a sound criticism of their harmfulness today. Studying and criticizing the feudalist vestiges is itself a kind of solid and arduous theoretical work. It cannot be done with mere revolutionary enthusiasm and righteous indignation. Only when we make a historical and accurate analysis of the feudalist vestiges can we effectively eliminate their negative and reactive influence, and can the great power of science be displayed. If we only raise a hue and cry against them and "sweep away everything" in a big way, we can get no more results than "cutting flowing water with a knife." The "unprecedented" 10 years, the mass "movement" launched by Lin Biao and the "gang of four," the efforts to destroy the so-called "old ideas, old culture, old customs, and old habits" at the initial stage in order to usurp party and state leadership, and the practice of feudalist autocratic rule and the development from nihilism to the doctrine of returning to the ancient in the later period, are all examples of this. We should take warning from this historical lesson.

CPC SAYS TOTAL PARTY MEMBERSHIP NOW 44 MILLION

OW251249 Beijing XINHUA in English 1158 GMT 25 Sep 86

[Text] Beijing, September 25 (XINHUA) -- New members admitted to the Chinese Communist Party since 1981 total 6.3 million, according to the organization department of the Chinese Communist Party Central Committee.

Total party membership is now 44 million up from 38 million in 1980.

In order to be considered for membership in the Chinese Communist Party citizens must first write an application to their local party authority. Later two recommendations from active party members must also be filed. The final decision on acceptance for membership will be decided by a committee which discusses each case individually.

Among the new recruits 1.4 million are technical professionals, while others are laborers working in the mainstream of production, an official from the department told XINHUA.

Of the 2,170 new party members from Heilongjiang Province 1,964 were either named outstanding students or won scholarships.

More than 70 of the new party members went to work after graduation in Tibet, Xinjiang Uygur Autonomous Region and Qinghai Province, where conditions are considered the most arduous in the country.

"The new members, brought up in the country's economic construction and reform, have improved the make-up of the party with well-educated younger professionals," the official said.

This has made the party more vigorous and raised the efficiency of party organizations at various levels, he added.

Hu Yaobang, general secretary of the Chinese Communist Party Central Committee, once pointed out that "Chinese intellectuals have become a part of the working class of the country." "They are an indispensable factor in the country's modernization drive," he said.

Expanding earlier policies of admitting predominately workers, soldiers and peasants, party organizations at various levels are now making guarantees to admit more young professionals, the official concluded.

FIRMS DIRECTOR-RESPONSIBILITY SYSTEM TO EXPAND

OW201711 Beijing XINHUA in English 1551 GMT 20 Sep 86

[Text] Beijing, September 20 (XINHUA) -- China will soon issue three sets of regulations concerning the role of factory directors, party organizations and workers' congresses in state-owned industrial enterprises, a senior Chinese official disclosed here today.

The official of the State Economic Commission also said that the director-responsibility system will be tried out in more selected enterprises and the work will be guided and protected by the regulations to be issued. The commission is responsible for coordinating the development of the country's industries.

The responsibility system was first tried out in 1984 in 191 enterprises in Beijing, Tianjin, Shanghai, Dalian, Shenyang, Changzhou, and then in 27,700 across the mainland. It has expanded from industrial enterprises to those of transportation, building industry, commerce and foreign trade.

Under the new system, it will be up to the factory director and not to the party secretary to make decisions and to appoint and remove leading officials at various levels of the factory.

According to a survey of about 2,000 enterprises that have been trying out the system in the first six cities, 90 percent have achieved the anticipated results and the factory directors and party chiefs have been cooperating well.

Enterprise-management committees headed by directors have been set up in many factories to discuss major issues, together with the party organizations, the trade unions and the workers congresses. The committee also helps the director in his decision-making and helps him to know workers' opinions of management decisions.

LIAOWANG REVIEWS LABOR CONTRACT SYSTEM

HK241030 Beijing LIAOWANG in Chinese No 37, 15 Sep 86 pp 16-17

[Article by Zhang Dawei [1728 1129 3634] and Ling Wancheng [0109 1346 2052]: "What Has The Contract System Brought to the People?"]

[Text] The adoption of the labor contract system represents a major reform of the employment system in our country, and is an important matter concerning the future and destiny of our enterprises and workers.

In 1980, Guangdong Province began to reform the employment system, ahead of other parts of the country. In the beginning, the reform evoked many unfavorable comments and upset some people. The new employment system, which had not been seen since the founding of the People's Republic, indeed had a great impact on the enterprises, workers, labor management departments, and theoretical circles.

Now, 6 years have passed. What has the contract system brought to the people? These reporters recently investigated this in Guangdong and felt deeply that the labor and employment system reform had not only promoted production development and raised economic efficiency, but had also --

Radically Changed Employment Concepts Throughout Society [subhead]

Yin Shuoying is a worker at the Guangzhou Friendship Shop employed under the contract system. We asked her: "Do you think that you now have employment?" This 20-year-old girl proudly nodded and said: "Of course, I have employment." When we visited other enterprises in Guangdong and asked many contract workers similar questions, they all had similar answers. We felt that the implementation of the contract system in the past 6 years has dispelled people's misgivings about this new system, and the "iron rice bowl" is no longer the sole symbol of employment. The labor contract system has been gradually accepted by the people in Guangdong.

Of course, it was a complicated process to convince the people to accept the new employment system.

In the early 1980's, a new economic trend was gradually developing in the entire Zhujiang Delta area and had a strong impact on the old employment system, under which "workers are employed permanently according to a centralized recruitment plan, and manpower is managed in a rigid way." In some Chinese foreign joint ventures in the special economic zones, and in other localities of Guangdong, a new category of workers -- workers employed under the contract system -- appeared. The new employment system gave rise to much higher productivity than the traditional employment system. This new economic phenomenon attracted the close attention of economic circles in Guangdong Province. Some economists began to make in-depth investigations of the special economic zones and of enterprises that had adopted the employment contract system, and published a series of articles to recommend the system. At the same time, some people also expressed doubts and misgivings about this system, saying that this employment system only represents a capitalist-style employment relationship which treats the labor force as a commodity.

In early 1983, to help the reform of the employment system in the whole province, economists and people in various trades and enterprises in Guangdong carried out a large-scale discussion on the employment system reform through YANGCHENG WANBAO, NANFANG RIBAO, and the provincial and city radio and television broadcasts.

An article by the famous economist Zhuo Jiong expresses his opinion that the contract system recognizes the commodity nature of the labor force under socialist commodity economic conditions and that this system is a rational hiring system suited to the development of the commodity economy. Wide publicity in theoretical circles have provided spiritual food for the formation of a new concept of employment and has laid a sociopsychological foundation for employment system reform. This is something of which people in theoretical circles in Guangdong can be proud. We visited Zhou Jiong at his home. He said in high spirits: "The labor force is the liveliest of the various production factors. It cannot be improved like soil, nor can it be tempered like steel. Only by scientific managerial methods can its role be brought into maximum play. In this connection, practice is the only criterion for judging truth."

Indeed, we felt during our interview that what is most convincing is the practice of employment system reform.

For those who are accustomed to "eating from the same big pot" and "using an iron rice bowl," it is terrible to work under the contract system because this system is, in their minds, unstable and unsafe. However, most people in Guangdong are of the opinion that the contract system allows enterprises to make a free choice of workers and allows workers to make a free choice of enterprises, encourages workers and make more contributions to the country, and helps realize their value. Contract workers in Guangdong enjoy high wages and good welfare. They can come and go freely and are provided with the opportunity to study further. Therefore Guangdong contract workers do not admire workers under the fixed employment system. Instead, many workers under the fixed employment system have resigned and gone to work in other enterprises as contract workers, happy to be able to choose their jobs as they like. Since they are happy, they work well. A survey reveals that contract workers in Guangdong have assumed the posts of factory director, manager, and group leader in many enterprises.

"Making long-term plans and signing short-term contracts" was another discovery we made on our visit to Guangdong. Chen Muyen, secretary of the training section of the personnel department at the Grand Hotel, told us: "A person need not work at a post for several decades. He should be allowed to have more opportunities to choose more suitable jobs. The contract workers we met during our visit have signed contracts with terms ranging from 3 to 5 years. In Shenzhen, we asked a young woman worker who began to work on the assembly line of the Jinghua electronics company not long ago: "If the factory wanted you to sign a 30-year contract would you sign it?" She immediately answered: "I would leave at once." She is now studying English and learning to type during her spare time with a view to moving to other enterprises. She is not willing to be an assembly worker for the rest of her life. This worker's idea is reflective of the contract workers' new ideological mode.

In some Guangzhou enterprises with high wages and good economic results, the labor turnover in the past 2 years has been very high and reached almost 50 percent in some of them. We can roughly classify them into three categories: 1) The turnover of those whose work is significantly professional in nature is large; for when workers move to other enterprises they can get promotions and higher wages; 2) some people find their current jobs are not what they are interested in; therefore they terminate the contracts with the enterprises and look for jobs elsewhere; 3) the contracts are terminated by the enterprises because the employees have seriously violated labor discipline. [paragraph continues]

The number of cases in which employees were dismissed by the enterprises mainly because they seriously violated labor discipline or committed crimes has been small. Jin Guoting, assistant manager of the personnel department of the Chinese Grand Hotel views this labor movement in his unique way. He held: "For the society as a whole, this labor movement increases the probability of each individual to become talented."

The relations between contract staff workers and their enterprises differ from the relations between staff workers and their enterprises in the past when, as soon as he had been employed by an enterprise a person was basically regarded as a permanent employee. These relations have now become restricted by employment contracts. For the enterprises also have the apprehension that their staff workers, in particular those who have special abilities, may resign. This to some extent puts pressure on them. During our survey, we saw that quite a few enterprises "cherish talented employees as if the life of the enterprise depended on them" and had taken many measures to keep "talented employees." A factory director said to us: "Movement of labor provides enterprises with the opportunity to choose talented people to employ and at the same time has caused us to encounter a challenge -- our talented employees may leave us. This puts very heavy pressure on us. It requires that an enterprise not only have good economic results, but also be concerned about people and about the interests of all its staff and workers, and thus become attractive."

The reform of our labor and employment system puts pressure on and also acts as an impetus to both our enterprises and our staff workers.

"Work with all your might and play to your heart's content" was much in vogue among the youths in Guangdong in the past few years, but this reporter found in his recent survey that these words have become to some extent outdated now. In areas such as Guangzhou and Shenzhen, we found that bars, music lounges, dance halls, and other recreation centers were a little desolate. A young man who loves to dance said humorously to this reporter: "One cannot always dance. For enterprises do not give dance examinations when recruiting workers." He has "invested" several hundred yuan to study English at a night school.

The employment system of "recruiting workers from among the community and selecting good ones to employ" has aroused a "sense of self-crisis" among the youths in Guangdong. According to statistics, there are now over 7,900 professional and technical training courses in Guangzhou. They provide courses for over 20 professions. Over the past 6 years, over 300,000 people (most of them contract workers) have taken training for 3-6 months. At present, in the whole city, there are over 100,000 people who are taking various courses in their spare time.

We did not expect the contract system experiment would give rise to a hired hand mentality among our young people, in fact it has stimulated them to improve themselves. This is a deliberate, voluntary construction of spiritual civilization.

The reform in our labor and employment system has not only changed our enterprises' and staff workers concepts of employment, but also --

The Labor and Personnel Departments' Traditional Concept of Management Has Been Smashed
[subhead]

Over the last 30 years or so, with the authority at hand, the labor and personnel departments have put labor and personnel work under unified management. [paragraph continues]

Management is relatively monotonous and things can be easily done since there are documents from the higher authorities to follow. Under these circumstances, saying things like "leading means serving" is like engaging in idle theorizing. The labor and personnel departments have now realized that numerous previous methods no longer work. Zhou Hua, deputy director of the provincial labor bureau, jokingly said: "Now buddhas can no longer share secured seats in their temples." From top to bottom, the labor and personnel departments in Guangdong Province have begun really effecting a pattern stressing management and service from that stressing administration and management.

Comrade Wu Wenzhang at the planned labor department of the provincial labor bureau said: "Now our department has less power in our hands but we have more things to attend to." This is indeed a fact.

In the past when an enterprise or institution wanted to recruit workers, the labor bureau would just assign a mandatory quota to it. If the recruitment was below or in excess of the quota, the bureau would make appropriate readjustments for it. Now bureau directors and cadres at the section and office levels are encouraged to frequent conduct investigators and studies at the enterprises and institutions under their jurisdiction. Investigations are held to ensure that the payroll is soundly linked up with their economic results. Moreover, they should set up special bodies and become "matchmakers" so as to give people every job opportunity.

In the past, the training of staff members and workers was left to education departments or enterprises and institutions. With the current introduction of the principle of giving training before employment, the labor and personnel departments are obliged to take up training themselves. At present such prefecture, city or county in Guangdong has formed an employment training network with labor departments at the core, education departments as the supportive force, and with the participation of enterprises, institutions and other social forces in running schools. The number of youths waiting for jobs, who were given pre-job training by Guangzhou City's labor departments, totaled 127,000. Smiling, Feng Dong, director of the city's labor bureau said to the reporters: "Now I have become 'Minister of Education.'"

In the past enterprises did not have the right to handle contradictions between enterprises and their staff members and workers and the labor departments which should have taken care of them did not so as expected. Now, in order to protect the legal status of staff members and workers and the legitimate rights and interests of enterprises, the labor departments should adjust the relationship between the individual, the director, and the enterprise and put someone in charge of the work.

Practical problems such as these have kept the labor departments too busy to catch their breath. The reform of the employment system will put the labor departments "on the stage" and enable them to begin to play "a leading role."

However, we sense that although the reform of the labor employment system has been carried out in Guangdong for 6 years, there are, after all, quite a few people who still have some doubts and misgivings about the reform. The reasons behind this state of affair lies in the fact that there are still problems cropping up in the implementation of the contract system rather than in their reluctance to give up traditional concepts.

Therefore, to really help them feel free from fear of disturbance from the rear, it is necessary to do the following things:

The Reform of Employment System Should Be Further Coordinated and Perfected [subhead]

-- If there is not a relevant reform of the wage system, the reform of the employment system would have to be abandoned halfway. As the large and medium-sized state-run enterprises in Guangdong Province still generally implement the traditional wage system, they have to adopt the method of "seeking uniformity" in recruiting the new contract workers. Namely, giving them a wage one grade higher than the permanent workers of the same rank. Therefore, in a certain sense, this is equal to the practice of everyone eating from the same big pot. While interviewing some permanent workers and contract workers, the reporters found a common appeal: Because the workers at the best age can make the best contribution, they should be given the best remuneration. The party secretary of the sintering plant of Guangdong Iron and Steel Complex told the reporters that "Our branch has 509 workers and staff, of which 184 are under the contract system. If we were given the power to make policy independently, our branch would completely change to the contract system and only need 400 workers and staff."

-- Both the legitimate status of the workers and staff under the labor contract system in enterprises and the legitimate rights and interests of enterprises should be urgently protected in terms of the legal system. In 1983, Guangdong Province enacted a draft law on labor contracts. However, as the whole country does not have a unified labor contract law, it so far remains a document rather than a law and is, in fact, ineffective. Some contradictions and disputes between the workers and staff under the contract system and enterprises have arisen and been filed to the labor and personnel departments for judgement. As there is no law governing a lot of specific issues, people contend with each other and do not believe in and listen to each other.

-- Different enterprises have different opinions on employment patterns. Some large and medium-sized enterprises in Guangdong (including the enterprises engaging in sophisticated technologies) maintain that a multiple employment pattern allowing the coexistence of permanent workers, contract workers and temporary workers should be developed. If the temporary workers perform well, they can be promoted to be contract workers; and if the contract workers perform well, they can be permanent workers. On the contrary, if they do not perform well, they can be demoted from permanent workers to contract workers or temporary workers or even dismissed. Nevertheless, the joint venture enterprises as well as the collective enterprises are willing to completely adopt the labor contract system, so as to improve management and avoid the phenomenon that permanent workers look superior to contract workers.

Besides, reforms in welfare, social insurance, job assignment, industrial injury and death treatment, other reforms of contract workers should also be improved.

NEW GROUP TO BOOST INTERIOR'S FOREIGN TRADE

OW260110 Beijing XINHUA in English 1732 GMT 25 Sep 86

[Text] Nanjing, September 25 (XINHUA) -- Foreign-trade companies along China's east-west trunk railway line today launched an association in a concerted effort to expand the region's economic and trade relations with the outside world.

The association -- the Longhai and Lanxin Association for the promotion of foreign Economic Relations and Trade -- was inaugurated in the port city of Lianyungang, Jiangsu Province, today. Its establishment is regarded as a result of the on-going reform to break down barriers caused by administrative divisions.

The first group of members are foreign-trade companies in major cities along the Longhai Railway line from Lianyungang and the Gansu provincial capital of Lanzhou, and the line between Lanzhou and the Xinjiang regional capital of Urumqi.

Among the cities are Xian, capital of Shaanxi Province, Zhengzhou, capital of Henan Province, and Yinchuan, capital of the Ningxia Hui Autonomous region, as well as Lanzhou and Lianyungang.

Lianyungang is one of the 14 coastal cities enjoying greater authority over foreign investment and trade. At the other end of the country, Horgos in Xinjiang has been opened as a post for Sino-Soviet trade.

The zone along the two railway lines covers parts of Jiangsu, Shandong, Anhui, Shanxi and Sichuan Provinces, as well as the whole of Henan, Shaanxi, Gansu and Qinghai provinces, and the Xinjiang and Ningxia regions.

The zone covers 3.6 million sq km, more than one third of China's land mass, and is inhabited by 220 million people, slightly less than one fourth of the country's total.

It is a major producer of coal, petroleum, grain, timber, animal by-products and aquatic products.

A railway is being built in northern Xinjiang to connect with a line in the Soviet Union. Its completion will make it possible to ship goods from the region to Western Europe.

Of the goods handed at Lianyungang Port, 74 percent come from the interior region, and authorities in Henan, Shaanxi and Anhui are raising money to build eight berths for 10,000 DWT ships there.

OFFICIAL SAYS JI PENGFEI NOT TO RETIRE IN 1987

Hong Kong Domestic Service in English 0500 GMT 19 Sep 86

[Text] A Chinese senior official, Mr Li Hou, has rejected a suggestion that the head of China's Hong Kong and Macao Affairs Office will retire next year. Mr Li, who is the deputy head of the office, said Mr Ji would not retire until the framework for the Basic Law has been worked out.

Speaking on whether direct elections will be introduced in Hong Kong, Mr Li told reporters that China would not support any changes which would damage Hong Kong's prosperity and stability. He said Hong Kong's future political system will be determined by the Basic Law.

SHANGHAI OFFICIAL SENTENCED FOR ECONOMIC CRIMES

HK240922 Hong Kong AFP in English 0904 GMT 24 Sep 86

[Text] Beijing, Sept 24 (AFP) -- A Shanghai cadre was sentenced to death, with a two-year suspension, for receiving more than 82,000 yuan [22,000 dollars] in bribes and other illegal dealings, a Shanghai newspaper reported Wednesday. Eleven other people were sentenced to terms of two years to life imprisonment for similar crimes, the newspaper WEN HUI BAO said.

Cai Baolin, deputy director of the television and radio service in Jiangsu Province, was handed the death sentence, suspended for two years, for receiving more than 22,000 dollars, including bribes and 13,000 yuan (3,500 dollars) siphoned directly from the company's funds, the newspaper said. Under Chinese law, such a suspension allows the person sentenced to escape capital punishment if his behavior in prison during the two years is judged to have been positive.

Of the other cases, four people were sentenced to life imprisonment while seven received two to 15-year terms, the newspaper said. Jing Zhongquian, deputy director of the Shanghai Construction Commission, found guilty of illegally receiving more than 27,000 yuan (7,300 dollars), was sentenced to two years, the newspaper said. It gave no details of the other cases.

China has been shaken by a wave of financial scandals in the past year, frequently implicating local Communist Party members. The authorities are waging a campaign against economic crime, and several death sentences have been handed down.

SHANGHAI TO BEGIN LIMITED STOCK TRADING

OW260058 Beijing XINHUA in English 1728 GMT 25 Sep 86

[Text] Shanghai, September 25 (XINHUA) -- Trading of stocks is to begin tomorrow on a limited scale at the short-term money market run by the Shanghai Branch of the Industrial and Commercial Bank of China.

The business will be handled by the Shanghai Investment and Trust Company, a subsidiary of the Industrial and Commercial Bank of China, on behalf of two companies -- the Shanghai Acoustics Equipment Producing Company and the Yanzhong Industrial Company Ltd.

The two companies issued stocks in 1984 and 1985. The former issued 500,000 yuan (125,000 U.S. dollars) and the latter, five million yuan (1,250,000 U.S. dollars). Each share is worth 50 yuan.

Shareholders will trade their stocks freely on the market according to the prices quoted and pay a certain amount of commission after transactions are concluded.

The Shanghai short-term fund market was set up less than a month ago. It is now handling interbank loans and rediscounting of bills.

Li Xiangrui, president of the Shanghai Branch of the People's Bank of China, said that the conditions are not ripe for a city-wide stock exchange or other long-term fund markets. The limited stock trading may serve as a trial balloon, which will stimulate enterprises to institute the stock system and pave the way for establishing a stock exchange in the city.

Up to the present, there are more than 700 Shanghai factories which have issued stocks totalling more than 100 million yuan.

GUANGXI OFFICIAL TO BE EXECUTED FOR CORRUPTION

HK260424 Nanning Guangxi Regional Service in Mandarin 1100 GMT 25 Sep 86

[Text] On the morning of 25 September, the Wuzhou Prefecture Intermediate People's Court held a pronouncement meeting in Hexian County to sentence to death Huang Yuhui, former deputy secretary of the Hexian County party committee who committed corruption and accepted bribes, and to deprive him of political rights for his whole life.

From September to December 1984, Huang Yuhui concurrently held the post of general manager of the Hexian County Joint Development and Trading Company. On 15 October 1984, he embezzled 4,500 yuan from the company's public funds to buy cars. The same day, Huang Yuhui and (Zhu Zhibing) and (Xie Shirong), deputy managers of the company, embezzled 10,950 yuan, the remainder of the bonus money issued to staff by the company, and he personally received 3,650 yuan. In illegally buying and selling foreign exchange quotas from the company in December 1984, Huang Yuhui, by taking advantage of his position and in collusion with other 3 persons including (Jiang Zhijin) and (Zhong Shikuan), embezzled some 170,000 yuan of public funds. Huang personally got 87,000 yuan. In addition, in illegally buying and selling foreign exchange quotas from the company in early November 1984, he and 3 other persons including (Zhu Zhibing) and (Xie Shirong) accepted bribes of 9,000 yuan from those who bought foreign exchange.

In the above activities, Huang Yuhui, by taking advantage of his post and in collusion with others, embezzled over 190,000 yuan of public funds and accepted bribes of 9,000 yuan. Huang personally embezzled 95,150 yuan and accepted bribes of 3,000 yuan.

The fact that Huang Yuhui, as a leading cadre, embezzled public funds in collusion with others and took advantage of his post constitutes a serious economic crime. He has seriously violated party discipline and state laws. The Wuzhou Prefecture Intermediate People's Court openly tried this case in Wuzhou from 6 to 9 May 1986. It convicted Huang Yuhui of committing corruption and accepting bribes, sentenced him to death and deprived him of his political rights for life according to the law. Huang Yuhui refused to accept the ruling and lodged an appeal. The Guangxi Regional Higher People's Court held a second trial and the final judgement overruled his appeal and maintained the judgment. It also reported the case to the Supreme People's Court for review. With the approval of the Supreme People's Court, Huang Yuhui was sentenced to death and deprived of his political rights for life. Other criminals were also sentenced to imprisonment.

That Huang Yuhui and other criminals were severely punished according to the law has evoked strong repercussions among cadres and the masses. Many people believed that the judgment of this major case indicates that everybody has to answer to the law and shows the seriousness of the socialist law. If we seriously deal with major and important cases, it will be possible for us to bring about a basic turn for the better in party style and the general social mood.

Execution Confirmed

HK260428 Nanning Guangxi Regional Service in Mandarin 1100 GMT 25 Sep 86

[Text] At a news conference this afternoon, the regional Higher People's Court announced that Huang Yuhui, former deputy secretary of the Hexian County party committee, was sentenced to death for corruption and accepting bribes and deprived of his political rights for life by the Wuzhou Prefectural Intermediate People's Court. The criminal was executed at 1008 today.

A spokesman for the regional Higher People's Court said that defendant Huang Yuhui committed corruption and accepted bribes and that the amount of corruption and bribes was extremely large and the case was extremely serious. In accordance with Article 155, Section 1 of Article 185, Article 23, Section 1 of Article 53, and Article 64 of the PRC Criminal Law and Section 2 of Clause 1 of the Decision of the NPC Standing Committee on Severe Punishment of Serious Economic Criminals, the defendant was sentenced to death and deprived of his political rights for life. After the first trial and judgment, the regional Higher People's Court conducted the second trial and final judgment. With the approval of the Supreme People's Court, the defendant was executed.

(Tang Anbang), vice president of the regional Higher People's court, presided over the news conference.

XINHUA Commentator's Article

OW260220 Beijing XINHUA Domestic Service in Chinese 1604 GMT 25 Sep 86

[Commentator's article: "Eliminate the Borers" -- carried by 26 September RENMIN RIBAO]

[Text] Beijing, 25 Sep (XINHUA) -- Embezzler Huang Yuhui has been executed, but how he degenerated from a deputy secretary of a county party committee to a felon embezzling enormous amounts of state money remains a question worth pondering.

Our state policies for reform, opening to the outside world, and enlivening the domestic economy are all for the sake of developing the socialist economy, liberating society's productive forces, and improving the people's material and cultural life. Our policies encourage and support some people to become affluent ahead of others by honest work and legitimate means. As for Communist Party members, particularly party cadres, they should first of all consider how to guide the masses in performing their duties to build a strong country with affluent people. Obsessed with the desire for personal gains however, Huang Yuhui abused his authority and forgot everything about party objectives and a party member's responsibilities. To reap colossal profits, he unscrupulously engaged in foreign exchange speculation and accepted bribes. When he became increasingly richer with ill-gotten wealth, he also became increasingly bogged down and sank deeper in the quagmire of sin.

Disregarding party discipline and state laws, Huang Yuhui even blatantly stated that he would "make enough money while in office." Do such people still behave in the least like a communist cadre? Precisely because this idea of his went out of control, he soon degenerated from being a party cadre into an arch embezzler. Thus, it is natural that we should eliminate borers like Huang Yuhui who undermine economic construction, and we should punish them according to law.

Huang Yuhui's degeneration once again reminds us of these requirements: We must intensify educating party members to keep firmly in mind the party's objective of serving the people wholeheartedly; we must also adopt effective measures to enforce party discipline and the legal system and must never allow anyone to abuse their authority for personal gains or take advantage of opportunities in reform, opening to the outside world, and enlivening the domestic economy. We will never tolerate party members who think they are free from the control of party regulations. Anyone who dares to defy the law must be punished according to law so that the solemnity of party discipline and state laws can be maintained and so that policies of reform, opening to the outside world, and enlivening to domestic economy can be implemented smoothly.

GUANGXI TO DRAW SUPPORT FROM GUANGDONG

HK260147 Nanning Guangxi Regional Service in Mandarin 1100 GMT 24 Sep 86

[Text] According to a report by RENMIN RIBAO reporter Zheng Shengfeng, in the course of economic contacts, Guangxi, which had for many years remained on guard and erected a passive defense against Guangdong, has now resoundingly put forward the slogan "Draw Support From Guangdong To Invigorate Guangxi," and has actively translated this into practice. This is the result of Guangxi abandoning the small peasant economy concept and replacing it with the modern vision of opening up.

In May this year, Guangxi Regional CPC Committee Secretary Chen Huiguang led a team to carry out investigations in Guangdong. Chen and his party held talks with Guangdong Provincial CPC Committee Secretary Lin Ruo, Governor Ye Xuanping, and prefectures and cities concerned on strengthening Guangxi-Guangdong lateral economic ties and other issues. The two sides strongly felt that Guangxi and Guangdong should closely link hands and engage in cooperation in a variety of fields.

Guangxi has strong points in resources and energy. Its development prospects are excellent. Guangdong has strong points in talent, technology, capital, and information, and its commodity economy is well developed. Guangdong's products can enter southwest China through Guangxi, and Guangxi's products can enter Hong Kong and Macao through Guangdong. There is great economic and strategic significance in mutual ties. This common understanding has now been written into the Guangxi-Guangdong agreement on establishing long-term and stable economic and technological cooperation ties.

In addition, the Guangxi investigation group also understood the importance of finding a master to learn from. To invigorate its economy, Guangxi should take a positive attitude and boldly find Guangdong partners for joint efforts. This meant resolutely doing away with the policy of not allowing people past the threshold, eliminating the small peasant fear of suffering loss, renovating concepts, being skilled in making friends, and daring to engage in competition.

After returning to Guangxi, Chen Huiguang vigorously propagated this view on various occasions. He stressed that Guangxi should apply Guangdong's spirit of working creatively to develop lateral ties with Guangdong.

In the middle and last 10 days of September, at Guangxi's invitation, Guangzhou City Mayor Zhu Senlin led a delegation to carry out investigations and discuss ties in Guangxi. Before the Guangzhou delegates arrived, Guangxi sent them a list of 198 projects for discussion. In less than 2 weeks, replies were received on every one of them. The Guangzhou side held that discussions could be held on 133 of the projects.

Guangxi's drawing of support from Guangdong is not limited to the economic field. The organization, discipline inspection, taxation, auditing, and other departments have recently also been sending investigation groups to Guangdong. The all-round drawing of support from Guangdong to invigorate Guangxi helps not only to enliven the economy and but also to build spiritual civilization.

GUANGZHOU THEOLOGICAL SEMINARY REOPENS

OW260026 Beijing XINHUA in English 1649 GMT 25 Sep 86

[Text] Guangzhou, September 25 (XINHUA) -- A theological seminary in Guangzhou, capital of south China's Guangdong Province, reopened today after being closed for 27 years.

More than 400 churchgoers attended a thanksgiving service and the school's opening ceremony.

Liang Fuhuan, president of the Guangdong Christian Council, was elected as president of the school, and Pastor Xiong Zhenpei, chairman of the Guangdong Three-Self (self-administration, self-support and self-propagation) Patriotic Committee of the Protestant Churches of China was elected chairman of the board of directors.

Thirty-four students, selected from four county churches, also attended the ceremony and began classes today. They will go back to their churches after two years.

The Guangzhou United Protestant Theological Seminary, located in the eastern part of the city, was established in 1934 and suspended in 1959.

LI XIMING ATTENDS BEIJING SCIENCE CONGRESS

SK250919 Beijing BEIJING RIBAO in Chinese 15 Sep 86 p 1

[Excerpts] The third congress of the Beijing Municipal Scientific and Technological Association concluded successfully on 14 September, fulfilling its scheduled tasks satisfactorily.

Present at the closing ceremony were Li Ximing, Jiao Ruoyu, Zhang Mingyi, Li Qiyan, Wang Jialiu, Wang Lixing, Lu Yucheng, An Chaojun, Zhang Jianmin, Fan Jin and Chen Mingshao. Gao Zhenyu, vice chairman and secretary of the leading party group of the China Scientific and Technological Association, and Pei Lisheng, honorary member of the China Scientific and Technological Association, were also present to extend congratulations.

Li Ximing, secretary of the municipal party committee, spoke at the ceremony. He extended congratulations for the success of the congress on behalf of the municipal party committee and government. He pointed out: Scientific and technological associations are homes for scientific and technical workers, and powerful organizations for uniting the scientific and technological circles to work together. Only when knowledge and talented people are respected, and a good situation is created in which people of talent come forth in large numbers and are turned to best account can we be rich, strong and prosperous, and vitalize China. We should draw on the "leftist" lessons, strive to eliminate sectarian bias and such harmful trends as scholars scorning each other, people being jealous of others who are able and virtuous, and suppressing different views. Leading cadres should be democratic and broad-minded, and see to it that human resources are turned to best account. Leading departments at all levels should actively support the work of scientific and technological associations, and provide necessary conditions for them and other societies to carry out their activities. [passage omitted]

The congress elected the third committee of municipal scientific and technological association, decided on the chairman and vice chairmen, and adopted the report on the work of the second committee.

The congress also unanimously agreed to invite Mao Yisheng to serve as honorary chairman of the Municipal Scientific and Technological Association, and Comrades Wang Shuzhuang, Tian Fu, Sun Hong, Shen Keqi, Zhang Guanghou, Chen Shengwu, Fan Jizhou, Jin Oubu, Xu Jianping, Qian Weichang and Tan Zhuang as honorary members. [passage omitted].

Scientific Advantages Viewed

SK260036 Beijing BEIJING RIBAO in Chinese 15 Sep 86 p 1

[Commentator's article: "We Must Not Suffer From Hunger When There Is a Pancake Nearby"]

[Excerpts] The third congress of the Beijing Municipal Scientific and Technological Association has successfully concluded. We warmly hail the congress' complete success.

A prominent problem in which the capital fails to give rein to its scientific and technological advantages exists at present. The "third congress" concentrated its discussion on this problem. We deeply believe that the congress will vigorously promote the utilization of the capital's scientific and technological advantages.

When compared to the fraternal provinces and municipalities, our municipality has the greatest advantage of having talented and intelligent persons of various categories. There are 562 scientific research units and more than 70 institutions of higher learning in the Beijing area. These units and institutions possess more than 100,000 scientific research personnel, accounting for 18.4 percent of the nation's total scientific research personnel. Of this, a large number of higher-level specialists have been concentrated in the units of the central authorities and institutions of higher learning. Many fraternal provinces and municipalities have enthusiastically made efforts to use Beijing's scientific and technological advantages, while considerably large numbers of departments, units, and large and medium-sized enterprises throughout the municipality have not done so. Some units have even refused to apply the technological findings which had been delivered to their doorstep. According to statistics released by a technological service and departments in the municipality, of the total scientific and technological groups whose possessions were transferred in the first half of this year, 50 percent were purchased by Jiangsu and Guangdong Provinces, and only 5 percent were purchased by enterprises in the municipality. We must change the situation of "standing by a pancake while suffering from hunger." Thus, leaders at all levels, all trades and professions, enterprises and establishments should regard the work of giving rein to the capital's scientific and technological advantages as a strategic task, formulate specific plans and measures for giving rein to these advantages, and strive to truly take the path of relying on scientific and technological progress to promote the development of economic construction and all undertakings.

In order to give rein to the capital's scientific and technological advantages, we should persist in reform, smash the barriers between different regions and between different departments, and adopt various forms to vigorously promote lateral cooperation between scientific research and teaching units and production enterprises. [passage omitted]

In order to give rein to the capital's scientific and technological advantages, we should conscientiously bring into full play the functions of the Municipal Scientific and Technological Association and its societies. The capital has five major scientific and technological forces, such as the Academy of Sciences of China; the Commission of Science, Technology, and Industry for National Defense; all central departments and commissions; institutions of higher learning, and local scientific and technological forces. The Municipal Scientific and Technological Association and its societies are the only ones with the ability to organize these five major forces. Today, the municipality has 126 municipal-level societies and research societies. These societies, equipped with comprehensive and specialized branches, possess a group of noted, higher-level specialists. Over the past few years, the Municipal Scientific and Technological Association and its society have done a great deal of work to organize forces to make the most of the capital's scientific and technological advantages, and have gained rich experiences. We hope that from now on, the Municipal Scientific and Technological Association and its societies will continue to initiatively and creatively make the most of the capital's scientific and technological advantages, and that leaders at all levels and all production enterprises deeply understand the tremendous functions and capabilities of the association and its societies, and enthusiastically strive to gain their assistance. Only when the two fields make concerted efforts can the vast number of production enterprises and the capital's five major scientific and technological forces be linked together sooner and be organized into gigantic forces to accelerate the development of economic construction and all undertakings.

It has been 6 years since the "second congress" of the Municipal Scientific and Technological Association was held in June 1980. Just like the other fronts, the capital's scientific and technological circles have made great changes and have scored great achievements.

HEBEI CONGRESS STANDING COMMITTEE MEETING OPENS

SK251201 Shijiazhuang HEBEI RIBAO in Chinese 14 Sep 86 p 1

[Text] The 22d Standing Committee meeting of the 6th provincial People's Congress opened in Shijiazhuang this morning.

The main items on the agenda are to study the relevant central documents, to relay Chairman Peng Zhen's speech given at the National People's Congress Standing Committee work conference, to discuss the "draft regulations for managing Hebei Province's local coal mines," and to hear reports given by the provincial government on the implementation of the 1986 national economic and social development plan during the January-August period, and on the implementation of the 1986 fiscal budget during the January-August period.

Today's meeting was presided over by Sun Guozhi, chairman of the provincial People's Congress Standing Committee.

Also attending the meeting were Wu Qingcheng, Guo Zhi, Yue Zongtai, Zhang Zhenchuan, Liu Ying, Zhang Kerang, Wang Yu, Han Qimin, and Wang Youhui, vice chairmen of the provincial People's Congress Standing Committee.

Hong Yi and Song Shuhua, vice governors; Liu Zhiqi, chief procurator of the provincial People's Procuratorate; Wang Yugong, vice president of the provincial People's Court; and the responsible persons of the various departments and commissions of the provincial People's Congress Standing Committee, the relevant departments of the provincial government, and the People's Congress Standing Committees of nine cities under the jurisdiction of the provincial government attended the meeting as observers.

This meeting will last for 4 days.

SHANXI LEADERS ATTEND LAWS STUDIES LECTURE

HK260529 Taiyuan SHANXI RIBAO in Chinese 9 Sep 86 p 1

[Report by He Jianhua [6320 1696 5478] and Li Jianrong [2621 1696 2837]: "Leaders Attend Lecture on Laws Delivered by Professor"]

[Text] On the afternoon of 6 September, at the Mei Shan Conference Hall, which is surrounded by lawns and canna trees, the responsible comrades of the six major provincial leading bodies gathered to listen to a lecture on laws delivered by Sun Guohua, an associate professor of the Department of Law at China People's University.

Before the lecture began, Secretary Li Ligong of the provincial party committee made some introductory remarks, saying: The central leading comrades have repeatedly told us that it is necessary to give the whole party, the whole army, and, in particular, the leading cadres, an education about the legal system. Regarding this, the province's six major provincial leading bodies have taken an initial step. Three law studies courses have been organized with remarkable success for leading cadres of organs, offices, and bureaus directly under various provincial departments, who attended the courses by turns. Starting in September, we will, by imitating the law studies forums organized by the Secretariat of the CPC Central Committee for central leading comrades, organize a law studies class for the six major provincial leading bodies each month, in order to deepen the education about the legal system and to facilitate the four modernizations. Today, we have specially invited Associate Professor Sun Guohua, who has lectured to central leading comrades, to deliver the first lecture.

Associate Professor Sun Guohua had made a special trip from Beijing. Full of vigor, he spoke calmly and unhurriedly. His lecture was entitled "On the Theories About the Functions and Use of Laws." He began by discussing the basic definitions of democracy and legal systems. And then he went on to elaborate on the questions of what is society and what is regulation by social and legal means. He paid special attention to discussing the problem of the nature, use, and functions of laws. On those controversial issues that have attracted the attention of people whose work is related to law, he expressed his opinions by making comparisons and in-depth analyses.

Associated Professor Sun spoke for 3 hours without a break. The members of the Standing Committee of the provincial Advisory Commission, the provincial People's Congress, the provincial government, the provincial CPPCC, and the provincial Discipline Inspection Commission all sat properly and seriously and carefully listened and took notes like dutiful students. When the lecture was over, those who were present applauded to express their appreciation.

GANSU FACES 'GRIM' SITUATION IN FAMILY PLANNING

HK250337 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 24 Sep 86

[Text] During the Sixth 5-Year Plan, the province scored great achievements in family planning work. But we have just entered a new period in which the number of women of childbearing age sharply increases. Our family planning work during the Seventh 5-Year Plan will therefore be more arduous. The focal point of our future work will still be on the rural areas. This is the unanimous view of the participants of a forum held yesterday by the provincial Family Planning Commission.

On the eve of the 6th anniversary of the publication of the CPC Central Committee's open letter to all party and CYL members on controlling the population growth, the provincial Family Planning Commission convened a forum for responsible people of some units in Lanzhou area. The participants held that the province effectively controlled the growth rate of population during the Sixth 5-Year Plan. But the peak period of having many women at childbearing age was the coming decade.

According to the analysis, if each couple give birth to a child during the Seventh 5-Year Plan, the population will still be increased by more than 280,000 per year. The annual growth rate will be above 18 per thousand. The situation that we face is therefore very grim. Consequently, we must strive to firmly grasp the family planning work.

Some units and areas also summed up their good experiences. In particular, counties which were once less advanced in the work later carried it out very well. On the basis of strictly enforcing the regulations, our next step is to publicize the experience of the advanced units, and to launch a long-term propaganda campaign in the rural areas, so as to strive for practical results in family planning work.

XINJIANG TO RESETTLE DEMOBILIZED SOLDIERS

HK250509 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 24 Sep 86

[Text] This year, the region will make arrangements for settling some 1,300 demobilized Army cadres. This is the most arduous task of settling demobilized soldiers in the past 10 years.

In order to do well in this year's work of settling these cadres, the regional office for settling demobilized soldiers, as well as Xinjiang Military District's departments concerned, have held training classes in the Urumqi, Kashi, Hami, and Shihizi areas since late March this year for over 1,000 demobilized Army cadres who would be transferred to other trades in counties.

Today, the region held a meeting on settling the demobilized Army cadres. The meeting urged the departments concerned to support the work and make concerted efforts, so as to do better in this year's work of settling demobilized Army cadres.

Huang Bozhang, vice chairman and leader of the regional team for settling demobilized Army cadres, delivered a speech at the meeting.

I. 26 Sep 86

C H I N A
PRC MEDIA ON TAIWAN AFFAIRS

U 1

ARTICLE ANTICIPATES TAIWAN REJOINING ASIAD

HK250809 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1016 GMT 24 Sep 86

[Article by Kai Wen [0418 2429]: "Looking Forward to Taiwan's Early Return to the Asiad"]

[Text] Hong Kong, 24 Sep (ZHONGGUO TONGXUN SHE) -- The 10th Asian Games are now being held in Seoul. It is being attended by 4,800 athletes from 27 countries and areas, the largest gathering in the history of the games.

It is a pity that no Taiwan athletes are participating in this grand sports meet. This is unfair to Taiwan sportsmen who have scored good achievements in the previous Asian Games.

Since withdrawing from membership in the Asiad, Taiwan has missed four Asian Games. People still remember that 2 years ago Taiwan's Olympic Committee rejoined the International Olympic Committee under the name "China -- Taipei," and took part in the 23d Olympic Games that same year in Los Angeles. It is reported that Taiwan has applied to renew its Asiad membership, but as it insists on using its own flag and national anthem in many international contests, Asiad cannot give approval for restoration of its membership.

Recently, there has been a favorable turn in the Taiwan membership restoration issue within Asiad. Hsu Heng, a member of Taiwan's International Olympic Committee who is currently attending an Asiad meeting in Seoul, recently gave a press interview, in which he said that Taiwan was willing to rejoin Asiad and observe the International Olympic Committee's regulations regarding Taiwan's name, flag and national anthem. This attitude expressed by Hsu Heng will undoubtedly facilitate a smooth solution to Taiwan's Asiad membership problem. It is reported that the Beijing representative has already expressed the view that if Taiwan observed the International Olympic Committee's regulations, Beijing would support Taiwan's return to the Asiad.

However, Hsu Heng has not further clarified whether or not they would send a team to attend the next Asian Games in Beijing, after Taiwan rejoined the Asiad.

In fact, since the Los Angeles Olympics, sportsmen on both sides of the Taiwan Straits have had increasingly more opportunities to participate in the same international contests simultaneously. The men's baseball, and women's baseball and basketball, teams have met often and thus have not only exchanged skills but also deepened their mutual understanding. People are pleased to see that sportsmen on both sides of the Straits may fight side by side, exchange skills, jointly achieve good sports results and thus win honor for the Chinese nation in the next Asian Games.

JAILING OF TAIWAN POLITICAL FIGURE CRITICIZED

OW241033 Beijing XINUUA Domestic Service in Chinese 1455 GMT 23 Sep 86

[Text] Beijing, 23 Sep (XINHUA) -- A spokesman for the All-China Federation of Taiwan Compatriots said today that the federation is concerned about the jail sentences passed on Lin Zhengjie and other nonpartisan political figures in Taiwan.

The spokesman for the All-China Federation of Taiwan Compatriots pointed out: Nonpartisan Taipei City "Councillor" Lin Zhengjie was sentenced to jail by the Taiwan authorities for violating the "Law of Election and Recall" and libeling a rival candidate in a city council election. This stirred up tension in the political situation in Taiwan. Despite the police interference, tens of thousands of citizens attended a meeting to bid farewell to Lin Zhengjie before he was to serve his prison sentence. On 14 September, 4,000 people took to the streets to stage a demonstration. Well-known Taiwan scholars including Hu Fu, Li Hongxi, Yang Guoshu, Lu Yali, Zhang Zongdong, and Wen Chong also invited Lin Zhengjie to farewell luncheon and protested the improper handling of Lin's case by the Taiwan authorities. Prior to Lin's case, Chen Shuibian, Huang Tianfu, Zheng Nanrong, Li Yiyang and other nonpartisan figures had been sentenced to jail by the Taiwan authorities, arousing protests and dissatisfaction among people in Taiwan.

The All-China Federation of Taiwan Compatriots showed great concern for the nonpartisan figures who had been arrested and suppressed by the Taiwan authorities for fighting for the Taiwan people's democratic rights. It solemnly called on the Taiwan authorities to change their policy of suppressing the people of Taiwan and to pay due respect to the Taiwan people's democratic rights.

I. 26 Sep 86

C H I N A
HONG KONG & MACAO

W 1

BRITISH MINISTER COMMENTS ON VIETNAMESE REFUGEES

HK250454 Hong Kong SOUTH CHINA MORNING POST in English 25 Sep 86 p 1

[By Simon Macklin]

[Text] The British minister in charge of refugees who find their way to British territory believes the best solution to the problem may be to send them back where they came from.

Mr David Waddington of the Home Office saw life as it is for Vietnamese refugees during a tour of four camps in Hong Kong yesterday.

He said that, as the minister entrusted with the future wellbeing of refugees in Britain and its territories, he had wanted to see conditions in the camps in Hong Kong for himself.

Mr Waddington said after his tour he believes the best solution is repatriation and he called for renewed negotiations with the countries the people had fled.

He said while repatriation was not viable at present, the countries examining their problems should keep repatriation as a major aim.

Mr Waddington said repatriation would have to wait until the "compassionate countries" who had accepted the refugees were convinced that they would not be persecuted if they returned to the countries they came from.

He was speaking at the Chimawan closed camp on Lantau, which holds more than 2,500 Vietnamese refugees.

He was greeted with an enthusiastic reception by some of the camp inmates, with Boy Scouts and Girl Guides — from packs operating inside the wire perimeters — providing the guard of honour.

Mr Waddington toured the camp's facilities and visited some of the dormitories, classrooms and workshops.

"I cannot see how in the long term we can cope in the world as a whole with the massive movement of population from one country to another," he said after the tour.

The United Kingdom accepted an extra 500 refugees last year, Mr Waddington said, and is under pressure to take more from other countries as well as Vietnam.

DOMESTIC EXPORTS REGISTER BIG GROWTH RATE

HK260347 Hong Kong SOUTH CHINA MORNING POST in English 26 Sep 86 p 1

[Text] Hong Kong is booming.

Provisional figures released yesterday by the Census and Statistics Department show the value of domestic exports last month at \$14.8 billion, up 23.5 percent compared with August last year — the greatest growth registered since exports first embarked on their upward journey in March.

Re-exports, which are products traded through Hong Kong without undergoing any manufacturing process in the territory, also turned in an impressive performance, rising in value by 20.7 per cent to \$10.6 billion -- making growth of total exports last month, valued at \$25.4 billion, 22.3 percent higher than in the same month last year.

After the 22 percent year-on-year growth in domestic exports reported in March, the rate of growth slowed to still hefty figures of 17.5 percent in April and about 14 percent in May and June.

But a dramatic resurgence began in July, when the figure jumped to 23.3 percent.

At that time, economists reckoned Hong Kong's gross domestic product this year could grow well beyond the Government's official forecast of 4.5 percent.

The government had based its GDP forecast on an expected 7.5 percent rise in real terms in exports for the whole year.

By the end of July, exports had already blossomed by 10 percent, owing to the second quarter surge.

That surge, combined with continued low inflation and buoyant consumer spending is what prompted Financial Secretary Piers Jacobs last week to revise the Government's official estimate of GDP growth to 5.6 percent.

Even before news of Hong Kong's performance last month came, economists were quick to call Mr Jacob's revised figure conservative, with six percent growth considered a more realistic figure.

Now, however, GDP growth surpassing six percent is no longer relegated to the realm of wishful thinking.

"Everything that is needed for continued growth is in place," said one analyst yesterday.

"Manufacturers are investing in new machinery, consumers are spending more because they've got more money in their pockets and the problems of overstocking and protectionist threats that last year hurt exports to Hong Kong's major overseas markets have dissipated."

Even more encouraging, export prices have changed little this year, in turn suggesting that real growth in exports, which includes adjustments for inflation, could well maintain a double-digit figure.

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SEPTEMBER 29, 1986

